

resolution be transmitted to the President and Vice President of the United States, to the Speaker of the House of Representatives, and to each Member of the Senate and House of Representatives of the United States from the State of New Jersey; and that a committee of 3, 1 to be appointed by the Governor, 1 to be appointed by the President of the Senate, and 1 to be appointed by the Speaker of the House, be constituted to further this project and to personally present the same to the President of the United States from the State of New Jersey, and to take other steps as to such committee shall seem proper; to the Committee on Rivers and Harbors.

1253. Also, petition of Woodcliff Council, No. 237, of North Bergen, N.J., Sons and Daughters of Liberty, an organization composed of upwards of 100,000 native-born American men and women representing 26 States, urging upon Congress the immediate passage of House bill 4114, introduced by Hon. MARTIN DIES, having for its object a fixed quota pertaining to the admission of alien immigrants to this country, stating that the bill is a necessary one and cannot be objected to by any person having the interests of the country at heart; to the Committee on Immigration and Naturalization.

1254. By Mr. LINDSAY: Petition of Daniel Maltby Rugg, of Brooklyn, N.Y., opposing increased income tax and gasoline tax, and favoring a manufacturers' sales tax; to the Committee on Ways and Means.

1255. By Mrs. ROGERS of Massachusetts: Petition of Council No. 45 of the Sons and Daughters of Liberty, favoring the passage of House bill 4114 concerning immigration; to the Committee on Immigration and Naturalization.

1256. Also, petition of Council No. 17 of the Sons and Daughters of Liberty, favoring the passage of House bill 4114 concerning immigration; to the Committee on Immigration and Naturalization.

1257. By Mr. SUTPHIN: Petition of Freedom Council, No. 36, Sons and Daughters of Liberty, of Keyport, N.J., urging passage of House bill 4114; to the Committee on Immigration and Naturalization.

1258. By Mr. TRAEGER: Petition of the Legislature of the State of California, dated May 12, 1933, regarding the adoption, as part of an emergency unemployment-relief program, of a plan for the completion of worthy public projects, and to include therein the construction and maintenance of roads and highways; to the Committee on Labor.

1259. Also, petition of the Legislature of the State of California, dated May 12, 1933, regarding the adoption, as part of an emergency unemployment-relief program, of a plan for the construction of worthy public projects, and to include therein the construction of the Central Valley project of the California State water plan; to the Committee on Labor.

1260. Also, petition of the Assembly and the Senate of the State of California, dated May 9, 1933, urging Government use of American-grown rubber; to the Committee on Labor.

1261. Also, petition of the Legislature of the State of California, dated May 17, 1933, in regard to providing for the relief of California Indians; to the Committee on Indian Affairs.

1262. Also, petition of the Legislature of the State of California, dated May 17, 1933, regarding the prohibiting of the importation of crude petroleum and crude-petroleum by-products; to the Committee on Ways and Means.

1263. Also, petition of the Board of Supervisors of the County of Los Angeles, State of California, dated May 22, 1933, regarding unemployment relief and recommending the California community land chest bill for consideration; to the Committee on Labor.

1264. By Mr. WALDRON: Petition of the Pennsylvania Committee for Total Disarmament, urging the Congress to investigate munition manufacturing, propaganda, etc.; to the Committee on Interstate and Foreign Commerce.

1265. By Mr. WHITLEY: Petition of Alfred Dreyfus Lodge, No. 201, of the Independent Order Brith Abraham, and of Louis Ofsovitz, of Rochester, N.Y., urging official protest by

the United States against the treatment accorded Jews in Germany; to the Committee on Foreign Affairs.

1266. By the SPEAKER: Petition of Hoboken National Memorial Association, Hoboken, N.J., relative to setting aside a suitable plot of ground at the entrance of the piers, now in control of the United States Shipping Board, at Hoboken, as a national memorial to commemorate the egress and ingress of the valiant sons and daughters of the Nation who left or returned through this portal during the late World War; to the Committee on Public Buildings and Grounds.

SENATE

FRIDAY, JUNE 2, 1933

(Legislative day of Monday, May 29, 1933)

The Senate met at 11 o'clock a.m., on the expiration of the recess.

THE JOURNAL

On motion of Mr. ROBINSON of Arkansas, and by unanimous consent, the reading of the Journal for the calendar days of May 29 to June 1, inclusive, was dispensed with, and the Journal was approved.

CALL OF THE ROLL

Mr. ROBINSON of Arkansas. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Byrnes	Long	Sheppard
Austin	Caraway	McGill	Stelwer
Black	Erickson	McNary	Thomas, Utah
Bone	Hale	Patterson	Trammell
Borah	Johnson	Pope	
Bratton	Kendrick	Robinson, Ark.	

Mr. ROBINSON of Arkansas. I wish to announce that the Senator from Nevada [Mr. PITTMAN] and the Senator from South Carolina [Mr. SMITH] are necessarily detained on official business.

I also wish to announce that the senior Senator from Tennessee [Mr. McKELLAR] and the junior Senator from Tennessee [Mr. BACHMAN] are necessarily detained from the Senate.

Mr. KENDRICK. I desire to announce that the following Senators are necessarily detained from the Senate on official business: The Senator from Washington [Mr. DILL], the Senator from Illinois [Mr. LEWIS], the Senator from Nevada [Mr. McCARRAN], the Senator from Oklahoma [Mr. THOMAS], the Senator from Maryland [Mr. TYDINGS], the Senator from Nebraska [Mr. THOMPSON], and the Senator from Arizona [Mr. HAYDEN].

I also desire to announce that the following Senators are absent, attending a meeting of the Committee on Banking and Currency: Mr. ADAMS, Mr. BULKLEY, Mr. COSTIGAN, Mr. FLETCHER, Mr. GLASS, Mr. GORE, Mr. McADOO, and Mr. WAGNER.

I wish further to announce that the following Senators are detained from the Senate in attendance on a meeting of the Committee on Finance: Mr. HARRISON, Mr. WALSH, Mr. KING, Mr. BARKLEY, Mr. BAILEY, Mr. BYRD, Mr. CLARK, Mr. CONNALLY, Mr. GEORGE, and Mr. LONERGAN.

The VICE PRESIDENT. Twenty-two Senators have answered to their names. There is not a quorum present. The clerk will call the names of the absent Senators.

The legislative clerk called the names of the absent Senators, and Mr. LOGAN, Mr. OVERTON, Mr. REYNOLDS, Mr. STEPHENS, and Mr. VANDENBERG answered to their names when called.

Mr. BARBOUR, Mr. BROWN, Mr. CAPPER, Mr. COOLIDGE, Mr. COPELAND, Mr. DALE, Mr. DICKINSON, Mr. FESS, Mr. MURPHY, Mr. RUSSELL, and Mr. WHITE entered the Chamber and answered to their names.

Mr. FESS. I wish to announce that the following Senators are detained either in attendance upon meetings of committees or upon official business: The Senator from Ne-

braska [Mr. NORRIS], the Senator from Maryland [Mr. GOLDSBOROUGH], the Senator from Rhode Island [Mr. HEBERT], the Senator from New Jersey [Mr. KEAN], the Senator from New Hampshire [Mr. KEYES], the Senator from Rhode Island [Mr. METCALF], the Senator from Pennsylvania [Mr. REED], the Senator from Delaware [Mr. TOWNSEND], the Senator from Connecticut [Mr. WALCOTT], the Senator from MINNESOTA [Mr. SHIPSTEAD], the Senator from North Dakota [Mr. NYE], and the Senator from Wisconsin [Mr. LA FOLLETTE].

The VICE PRESIDENT. Thirty-eight Senators have answered to their names. There is not a quorum present.

Mr. ROBINSON of Arkansas. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will carry out the order of the Senate.

After a little delay Mr. BANKHEAD, Mr. BULOW, Mr. CAREY, Mr. CUTTING, Mr. DIETERICH, Mr. DUFFY, Mr. HATFIELD, Mr. NEELY, Mr. ROBINSON of Indiana, Mr. SCHALL, Mr. VAN NUYS, and Mr. WHEELER entered the Chamber and answered to their names.

The VICE PRESIDENT. Fifty Senators have answered to their names. A quorum is present.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate a telegram in the nature of a petition from S. F. Snively, mayor of Duluth, Minn., praying for amendment of the Reconstruction Finance Corporation Act so that the Corporation may be authorized to loan to municipalities 75 percent upon estimated tax income for the year 1933, and 50 percent on 1932 tax delinquencies, upon tax anticipation bonds, also amendment of the pending public works bill so as to allow the Government to loan 70 percent of the total upon bonds to be redeemed over a period of years after the present economic depression is over, which was referred to the Committee on Banking and Currency.

He also laid before the Senate a resolution adopted by U.S.S. Jacob Jones Post, No. 2, the American Legion, of Washington, D.C., protesting against any attempt, by law or regulation, to deprive honorably discharged veterans of preference in retention in the classified service of the Government which they have been granted under previous laws and Executive orders, etc., which was referred to the Committee on Civil Service.

He also laid before the Senate a resolution adopted by Incorporated Chapter 1, of the Purple Heart Association of the United States, Ansonia, Conn., protesting against the operation of the so-called "Economy Act", particularly as it affects veterans' allowances, which was referred to the Committee on Finance.

He also laid before the Senate a letter in the nature of a petition from R. E. Rosenberger, of Garyville, and also a petition of sundry citizens of New Orleans, all in the State of Louisiana, praying for a senatorial investigation relative to alleged acts and conduct of Hon. HUEY P. LONG, a Senator from the State of Louisiana, which were referred to the Committee on the Judiciary.

Mr. COPELAND presented a petition of several citizens of Binghamton, N.Y., praying that Congress do not adjourn until action has been taken for the relief of veterans with service-connected disabilities, which was referred to the Committee on Finance.

He also presented resolutions adopted by the New York State Department, Disabled American Veterans of the World War, in convention assembled at Niagara Falls, N.Y., favoring the carrying out by the Government of statements of Federal officials "that battle casualties and direct service-connected cases under the old World War Veterans' Act will be cared for under the new act by extending, through Presidential proclamation, date of stop payment under the new act from July 1, 1933, to January 1, 1934, as this would be

the only way whereby justice can be done", etc., which were referred to the Committee on Finance.

He also presented resolutions adopted by Lincoln Council, No. 51, of Jamestown, and Dolly Madison Council, No. 116, of Brooklyn, of the Sons and Daughters of Liberty, in the State of New York, favoring the prompt passage of the so-called "Dies bill" fixing a quota pertaining to the admission of alien immigrants to the United States, which were referred to the Committee on Immigration.

He also presented a resolution adopted by the National Council of the Steuben Society of America, at Baltimore, Md., favoring a study of "the effects of the Sherman anti-trust law and the Clayton Acts on business in general, to the end that these statutes, in our opinion injurious to the common welfare of our communities, be corrected, changed, or amended", which was referred to the Committee on the Judiciary.

He also presented a resolution adopted by Joseph A. Wynn Post, No. 260, Veterans of Foreign Wars of the United States, of Brooklyn, N.Y., protesting against the curtailment or abolishment of compulsory military training of young men in colleges and high schools, which was referred to the Committee on Military Affairs.

He also presented resolutions adopted by the Erie County Committee of the American Legion, Buffalo, N.Y., endorsing any act of the President to safeguard the peace of the world and preserve the honor of the country without entangling alliances, and favoring the adoption of a system of universal draft and conscription of all the country's resources and industries, as well as man power, in the event of war, etc., which were referred to the Committee on Military Affairs.

He also presented a resolution adopted by the Schenectady County (N.Y.) Clearing House Association, favoring the adoption of measures to eliminate the competition of the Postal Savings System with banks and other business, more especially by the cessation of payment of interest to depositors, which was referred to the Committee on Post Offices and Post Roads.

PROTESTS AGAINST RECOGNITION OF SOVIET GOVERNMENT OF RUSSIA

Mr. WALSH. Mr. President, I present and ask to be printed in full in the CONGRESSIONAL RECORD and appropriately referred copy of a telegram sent to the President of the United States as follows:

Bessie P. Edwards Post, No. 264, the American Legion, Boston, comprising 150 women World War veterans, records itself as vigorously opposed to recognition of Soviet Russia by United States, and respectfully solicits consideration of this opposition.

Alice E. Carey, Commander.

Similar telegrams were sent to the President by the following organizations of Massachusetts, whose total membership, as indicated, numbers 834,070:

Massachusetts Department, American Federation of Labor	250,000
Massachusetts Department, American Legion	43,000
Massachusetts Department, Veterans of Foreign Wars	20,000
Knights of Columbus (Massachusetts)	53,000
Massachusetts Catholic Order of Foresters	60,000
National Yeomen (F.) (Massachusetts)	1,000
League of Catholic Women	400,000
Spanish War Veterans Auxiliary (Massachusetts)	3,600
Kearsage Naval Auxiliary (Massachusetts)	100
Daughters of the Union Veterans (Massachusetts)	3,200
Bessie Edwards (Mrs. Clarence R.) Legion Post, No. 264	170

Total..... 834,070

The VICE PRESIDENT. The telegram will be referred to the Committee on Foreign Relations.

REPORT OF THE COMMITTEE ON AGRICULTURE AND FORESTRY

Mr. KENDRICK (for Mr. SMITH), from the Committee on Agriculture and Forestry, to which was referred the bill (H.R. 4812) to promote the foreign trade of the United States in apples and/or pears, to protect the reputation of American-grown apples and pears in foreign markets, to prevent deception or misrepresentation as to the quality of such products moving in foreign commerce, to provide for the commercial inspection of such products entering such

commerce, and for other purposes, reported it with amendments and submitted a report (No. 105) thereon.

ENROLLED JOINT RESOLUTION PRESENTED

Mrs. CARAWAY, from the Committee on Enrolled Bills, reported that on June 1, 1933, that committee presented to the President of the United States the enrolled joint resolution (S.J.Res. 48) authorizing the Secretary of War to receive for instruction at the United States Military Academy at West Point, Posheng Yen, a citizen of China.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BRATTON:

A bill (S. 1816) granting a pension to Margaret Griffin; to the Committee on Pensions.

By Mr. McNARY:

A bill (S. 1817) granting a pension to Fred Burns; to the Committee on Pensions.

By Mr. JOHNSON:

A bill (S. 1818) for the relief of W. P. Fuller & Co.; to the Committee on Claims.

A bill (S. 1819) to extend the provisions of the act entitled "An act to extend the period of time during which final proof may be offered by homestead entrymen", approved May 13, 1932, to desert-land entrymen, and for other purposes; to the Committee on Public Lands and Surveys.

By Mr. KING:

A bill (S. 1820) to amend the Code of Law for the District of Columbia; to the Committee on the District of Columbia.

By Mr. COSTIGAN, Mr. ADAMS, Mr. BRATTON, Mr. CUTTING, Mr. SHEPPARD, and Mr. CONNALLY:

A bill (S. 1821) authorizing the construction of a channel for the drainage of the closed basin of the San Luis Valley in Colorado, authorizing an investigation relating to the construction of a reservoir in connection with such channel, and for other purposes; to the Committee on Irrigation and Reclamation.

AMENDMENTS TO INDUSTRIAL-CONTROL AND PUBLIC-WORKS BILL

Mr. POPE and Mr. ROBINSON of Arkansas each submitted an amendment intended to be proposed by them, respectively, to House bill 5755, the so-called "industrial-control and public-works bill", which were referred to the Committee on Finance and ordered to be printed.

Mr. WALSH. I ask that a number of amendments intended to be proposed by me to title I of House bill 5755, the national industrial recovery bill, with an explanation of the amendments, be printed, printed in the RECORD, and referred to the Committee on Finance.

The VICE PRESIDENT. Without objection, that order will be made.

The amendments and explanation are as follows:

AMENDMENTS INTENDED TO BE PROPOSED BY MR. WALSH TO TITLE I OF NATIONAL INDUSTRIAL RECOVERY BILL, H.R. 5755

Amendments suggested to reconcile discrepancies, correct omissions, and clarify certain provisions

AMENDMENT NO. 1

Page 8, line 3, after the word "joining", insert a comma, followed by the following words: "organizing or assisting."

EXPLANATION OF AMENDMENT NO. 1

The major purpose of this bill is to restore employment and maintain purchasing power. The most important safeguard for the maintenance of purchasing power is the preservation of labor's right of collective bargaining. Section 7 (a) has been properly inserted for the provision of this safeguard.

The right of collective bargaining cannot be assured without the abolition of "yellow dog" contracts, and subsection (2) of section 7 (a) is addressed to this aim. "Yellow dog" contracts not only prohibit employees from joining labor organizations but often prohibit them from organizing their fellow employees and prohibit them from doing anything which might tend to lend assistance to any labor organization. Subsection (2) should therefore be amplified to include agreements which compel employees to refrain from organizing or assisting labor organizations.

AMENDMENT NO. 2

Page 8, line 13, strike out the word "working", and after the word "conditions" strike out the comma and insert the words "of employment." Line 21, strike out the word "working", and on

line 22, after the word "conditions", insert the words "of employment." Page 9, line 3, strike out the word "working", and after the word "conditions" insert the words "of employment."

EXPLANATION OF AMENDMENT NO. 2

On page 8 the expression "working conditions" is used four times. "Working conditions" might be construed as limited to physical conditions within a factory. "Conditions of employment" is a much broader phrase and might include the problem of night labor by women and children and other employment restrictions as well as the physical condition of the factory.

AMENDMENT NO. 3

Page 4, strike out lines 12 to 14.

Page 6, strike out the portion of line 8 after the word "law" and strike out lines 9 to 14, inclusive.

Page 10, strike out the portion of line 5 after the word "competition" and strike out all of lines 6 and 7.

Page 10, after line 12, insert a new section, to be numbered 10, reading as follows:

"Sec. 10. Any person who violates any provision of this title, or who violates any provision of any code of fair competition approved under this title, or who violates any agreement entered into or approved under this title, or who carries on any business without a license required under this title or after such license shall have been canceled, or who violates the conditions of any license, or who violates any rule or regulation prescribed under this title, shall be fined not more than \$500 or imprisoned not more than 6 months, or both, and each day any such violation continues shall be deemed a separate offense."

EXPLANATION OF AMENDMENT NO. 3

Sections 3 (b), 4 (b), and 9 (a) provide varying forms of penalties, while section 4 (a) does not provide any penalty for the violation of an agreement.

It is suggested that all penalties be made uniform and that they cover violations of agreements as well as all codes, licenses, rules, and regulations.

AMENDMENT NO. 4

Page 4, strike out lines 15 to 21, inclusive, and on line 21 change "(d)" to "(c)".

Page 10, insert a new section, to be numbered 11, as follows:

"Sec. 11. The several district courts of the United States are hereby invested with jurisdiction to prevent and restrain violations of the provisions of this title, and violations of any code of fair competition approved under this title, and violations of any agreement entered into or approved under this title, and the carrying on of any business without a license required under this title or after a cancellation of any such license, and violations of the conditions of any license, and violations of any rule or regulation prescribed under this title; and it shall be the duty of the several district attorneys of the United States, in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain such violations."

EXPLANATION OF AMENDMENT NO. 4

Section 3 (c) provides for injunctive relief for violation of a code, but no injunctive relief is provided for other violations. It is suggested that injunctive relief apply to all violations.

AMENDMENT NO. 5

Page 6, strike out all of lines 4 and 5 and the first four words of line 6, concluding with the word "thereof."

Page 10, line 8, after the word "cancel", insert a comma, followed by the words "revoke, suspend."

EXPLANATION OF AMENDMENT NO. 5

Page 6, lines 4 to 6 authorize the President to suspend or revoke any license after notice and hearing. This contradicts section 9 (b), on page 10, which authorizes the President to cancel or modify any license. It seems as though the latter provision of section 9 (b) supersedes the former provision on page 6, which is part of section 4 (b).

AMENDMENT NO. 6

Page 6, strike out the last five words of line 6 beginning with "any", all of line 7, and the first three words of line 8, concluding with "law."

Page 10, line 10, after the word "title", strike out the semi-colon and insert a comma followed by the following words: ", and any such action of the President as well as any other action of the President pursuant to this title shall be final."

EXPLANATION OF AMENDMENT NO. 6

On page 6, the second half of line 6, all of line 7, and the first three words of line 8 provide that an order of the President revoking a license shall be final. This might be more properly inserted in section 9 (b) to cover all acts of the President.

AMENDMENT NO. 7

Page 10, line 5, after the word "competition", strike out the comma and insert the words "and agreements."

EXPLANATION OF AMENDMENT NO. 7

Section 9 (a) authorizes the President to prescribe fees for licenses and for filing codes of fair competition. He should also be authorized to prescribe fees for filing voluntary agreements under section 4 (a).

AMENDMENT NO. 8

Page 9, strike out line 14 and insert the following: "any individual, firm, partnership, company, association, joint-stock asso-

ciation, trust and corporation, and any assignee for the benefit of creditors, committee, receiver, or trustee operating any business, and every other person, natural or artificial, engaged in commerce."

EXPLANATION OF AMENDMENT NO. 8

Section 7 (d) defines the word "person." This definition might be amplified.

ALLOCATION OF HIGHWAY FUNDS UNDER PUBLIC WORKS BILL

Mr. WALSH. I ask unanimous consent to have printed in the RECORD a letter addressed to me from A. W. Brandt, State Highway Commissioner of New York. This letter is relative to the allocation of highway funds under section 204 of the public works bill. It contains a tabulation showing the amount that will be allotted to each of the States under the different methods of allocation. It favors the provisions contained in the House bill dealing with this subject.

I ask that the letter and table may be printed in the CONGRESSIONAL RECORD and referred to the Committee on Finance.

There being no objection, the letter and table were ordered to be printed in the RECORD and referred to the Committee on Finance, as follows:

WASHINGTON, D.C., May 29, 1933.

HON. DAVID I. WALSH,
United States Senate.

MY DEAR SENATOR WALSH: I am attaching hereto a copy of a letter written to Senator HARRISON, Chairman of the Senate Finance Committee, of which you are also a member, relative to the allocation of highway funds under section 204 of the public works bill. I am also attaching a copy of the tabulation showing the amount of money per capita by States under this \$400,000,000 allocation, the amount per gainful worker, and the amount per unemployed worker, if the money is allocated under the Federal Highway Act only. Column 4 shows the amount per unemployed worker by States in case the money is allotted—three quarters on the basis of the Federal Highway Act, and one quarter on the basis of population.

Inasmuch as your State is one of those that will lose heavily in case the allocation in the fourth column as passed by the House is not followed, I am sure you will resist all efforts in the Finance Committee to change the allocation.

Very truly yours,

A. W. BRANDT,
State Highway Commissioner, New York State.

P.S.—The loss to your State in case the three-fourths, one-fourth allocation is not maintained will be \$2,037,300.

MAY 29, 1933.

HON. PAT HARRISON,
United States Senate.

MY DEAR SENATOR HARRISON: The House when it passed the public works bill provided that the \$400,000,000 authorized under section 204 should be allocated to the States, three fourths on the basis of the Federal Highway Act and one fourth on the basis of population. This method of allocation was endorsed by a subcommittee representing the executive committee of the American Association of State Highway Officials. It was accepted by the President and included in the bill transmitted to Congress. Copies of this bill were sent to all State highway officials, and not one protest against the method of allocation has been received.

The American Association of State Highway Officials realizes that this is not in the strict sense of the word a public works bill, but is an emergency relief measure, and that more consideration than the Federal Highway Act provides should be given to the unemployed in each State.

I am attaching hereto several copies of a tabulation showing the amount per capita by States that this \$400,000,000 provides as well as the amount per gainful worker and the amount per unemployed worker under the provisions of the Federal Highway Act. You will notice that the State of Massachusetts receives \$7.69 for each unemployed worker under the provisions of the Federal Highway Act, while the State of Nevada receives \$362.24 for each unemployed worker, nearly fifty times as much. Certainly there is nothing equitable in the way of relief in any such allocation as that. The fourth column of this tabulation shows the amount that each unemployed worker receives on the basis of three fourths of the money allocation under the Federal Highway Act and one fourth on the basis of population. That is by no means an equitable distribution; that is, the State of Massachusetts will only receive \$10.42 per unemployed worker, while the State of Nevada receives \$276.80 per unemployed worker.

As a member of the committee representing the State highway officials, I urge that your committee oppose any effort to change the allocation in the bill as passed by the House. I am sure by looking over this tabulation the members of your committee will agree that the sparsely settled States are being treated more than fairly, and that if there is any just grievance it is in the States which are densely populated, where the intensity of unemployment is the greatest.

I am also attaching hereto a chart showing the intensity of unemployment in each State.

Very truly yours,

A. W. BRANDT,
For the Committee Representing American
Association of State Highway Officials.

State	Apportionment of \$400,000,000 on the basis of sec. 21 of the Federal Highway Act			Amount per unemployed worker; apportionment on basis of three quarters, sec. 21, Federal Highway Act, and one quarter on population
	Amount per capita	Amount per gainful worker	Amount per unemployed worker	
Alabama.....	\$3.22	\$8.31	\$59.63	\$59.81
Arizona.....	13.47	35.51	123.82	100.36
Arkansas.....	3.78	10.49	78.61	75.92
California.....	2.74	6.22	16.42	17.20
Colorado.....	7.27	18.69	49.02	42.26
Connecticut.....	1.62	3.83	11.29	14.16
Delaware.....	8.39	20.39	107.53	91.09
Florida.....	3.69	9.04	27.26	26.47
Georgia.....	3.58	8.96	51.95	50.80
Idaho.....	11.28	30.95	134.58	110.66
Illinois.....	2.22	5.33	12.96	14.47
Indiana.....	3.15	8.15	26.18	26.41
Iowa.....	4.28	11.58	69.32	65.20
Kansas.....	5.79	15.68	82.26	73.29
Kentucky.....	2.89	8.32	38.57	39.92
Louisiana.....	2.77	7.13	28.71	29.98
Maine.....	4.46	11.53	36.37	33.92
Maryland.....	2.08	5.05	22.63	25.83
Massachusetts.....	1.35	3.15	7.69	10.42
Michigan.....	2.60	6.54	13.78	14.66
Minnesota.....	4.38	11.31	39.78	37.24
Mississippi.....	3.58	8.52	91.61	89.55
Missouri.....	3.45	8.58	31.38	30.96
Montana.....	15.66	38.88	119.90	96.17
Nebraska.....	6.16	16.73	85.60	75.53
Nevada.....	57.68	122.44	362.24	276.80
New Hampshire.....	4.30	10.38	33.17	31.17
New Jersey.....	1.37	3.23	8.53	11.56
New Mexico.....	15.48	45.85	193.26	155.13
New York.....	1.60	3.66	10.06	12.66
North Carolina.....	3.04	8.44	46.67	47.53
North Dakota.....	9.45	26.83	160.78	134.41
Ohio.....	2.25	5.72	15.09	16.79
Oklahoma.....	4.02	11.63	44.93	42.82
Oregon.....	7.00	16.29	43.27	37.56
Pennsylvania.....	1.82	4.72	12.65	15.15
Rhode Island.....	2.91	6.73	12.54	12.92
South Carolina.....	3.20	8.08	57.10	57.39
South Dakota.....	9.64	26.98	284.34	237.29
Tennessee.....	3.32	9.06	60.10	59.83
Texas.....	4.39	11.58	52.94	49.54
Utah.....	9.16	27.36	89.61	75.19
Vermont.....	5.58	14.16	51.02	45.74
Virginia.....	3.11	8.54	43.73	44.27
Washington.....	4.09	9.63	28.51	27.06
West Virginia.....	2.55	7.74	29.86	31.93
Wisconsin.....	3.39	8.83	32.95	32.63
Wyoming.....	22.78	55.55	203.10	159.60
Hawaii.....	5.43	(1)	(1)	(1)
Average.....	3.28	8.23	26.84	26.84

¹ Data not available.

PAYMENTS FROM THE TREASURY UNDER THE SETTLEMENT OF WAR CLAIMS ACT

Mr. COPELAND submitted the following resolution (S.Res. 91), which was referred to the Committee on Finance:

Whereas Germany has exercised certain of the rights conferred by the agreement of June 23, 1930, between the United States and Germany permitting the suspension of payments by Germany of the sums payable under that agreement on account of awards of the Mixed Claims Commission, and no such payments have been made under the agreement since March 31, 1931, and suspensions of payments by Germany under the terms of that agreement without the consent of the United States are permitted for a period not exceeding 2½ years from the date of suspension of payment; and

Whereas the Treaty of Berlin of August 25, 1921, provided that "all property of the Imperial German Government, * * * and of all German nationals, which was, on April 6, 1917, in or has since that date come into the possession or under the control of, or has been the subject of a demand by the United States of America or of any of its officers, agents, or employees, from any source or by any agency whatsoever, * * * shall be retained by the United States of America and no disposition thereof made, * * * until such time as the Imperial German Government * * * or their successor or successors, shall have * * * made suitable provision for the satisfaction of all claims against said Government * * * of all persons, where-soever domiciled who owe permanent allegiance to the United

States of America and who have suffered, through the acts of the Imperial German Government, or its agents, * * * loss, damage, or injury to their persons, or property, directly or indirectly"; and

Whereas the Settlement of War Claims Act of 1928 was enacted upon the understanding by the Congress that suitable provision would be made for all claims against Germany of American nationals who have suffered through acts of Germany, or its agents, loss, damage, or injury to their persons or property, in accordance with the provisions of the Treaty of Berlin, and would be paid out of the German special deposit account in the Treasury of the United States which was created by said act; and

Whereas there are on file in the Department of State unadjudicated claims against Germany of more than 3,000 American nationals who have suffered loss, damage, and injury to their persons and property, principally as a result of Germany's submarine warfare; and

Whereas the full amount of all of the principal of awards of the Mixed Claims Commission heretofore entered has already been paid by the Secretary of the Treasury under the provisions of the Settlement of War Claims Act of 1928, as well as the full amount of interest on the smaller awards of less than \$100,000 and certain payments to German nationals; and there is no requirement by law for payment by the Secretary of the Treasury of further amounts under the Settlement of War Claims Act of 1928 prior to the completion of the work of the Mixed Claims Commission; and

Whereas the Secretary of the Treasury, before the Congress again convenes, before suitable provision has been made for the adjudication and payment of the claims of American nationals against Germany now on file in the Department of State, and before the German Government resumes its payments under the agreement of June 23, 1930, may make further payments out of the German special deposit fund, including payments to German nationals which will inure to the benefit of Germany: Therefore be it

Resolved, That it is the opinion of the Senate that the Secretary of the Treasury should not make further payments out of the funds in the Treasury under the Settlement of War Claims Act, or release any of the bonds of Germany now held in the Treasury of the United States pursuant to the terms of the agreement between Germany and the United States signed June 23, 1930, until suitable provision shall have been made by Germany for the adjudication and payment of all the claims of American nationals now on file in the Department of State; and, furthermore, that the Secretary of State should not consent to the discontinuance of the work of the Mixed Claims Commission until suitable provision has been made and consented to by the Government of Germany for the full ascertainment of Germany's liability to the United States under the treaty of Berlin with respect to all claims of American nationals now on file in the Department of State, and until the discontinuance of the labors of the Mixed Claims Commission shall have been approved by the Congress of the United States.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Hattigan, one of its clerks, announced that the House had passed a bill (H.R. 5239) to extend the provisions of the act entitled "An act to extend the period of time during which final proof may be offered by homestead entrymen", approved May 13, 1932, to desert-land entrymen, and for other purposes, in which it requested the concurrence of the Senate.

The message also announced that the House had passed the bill (S. 510) to provide for the establishment of a national employment system, and for cooperation with the States in the promotion of such system, and for other purposes, with amendments in which it requested the concurrence of the Senate.

PURCHASE OF PREFERRED STOCK AND BONDS OF INSURANCE COMPANIES—CONFERENCE REPORT

Mr. FLETCHER submitted the following report, which was ordered to lie on the table:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1094) to provide for the purchase by the Reconstruction Finance Corporation of the preferred stock and/or bonds and/or debentures of insurance companies, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its amendment numbered 6.

That the Senate recede from its disagreement to the amendments of the House numbered 2, 3, 4, 7, 8, 10, 11, and 12, and agree to the same.

Amendment numbered 1: That the Senate recede from its disagreement to the amendment of the House numbered 1, and agree to the same with an amendment as follows: In

lieu of the matter proposed to be inserted by the House amendment insert: "The total face amount of loans outstanding, preferred stock subscribed for, and capital notes purchased and held by the Reconstruction Finance Corporation, under the provisions of this section and section 2, shall not exceed at any one time \$50,000,000, and the amount of notes, bonds, debentures, and other such obligations which the Reconstruction Finance Corporation is authorized and empowered to issue and to have outstanding at any one time under existing law is hereby increased by an amount sufficient to carry out the provisions of this section and section 2" and a period; and the House agree to the same.

Amendment numbered 5: That the Senate recede from its disagreement to the amendment of the House numbered 5, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment insert "The Reconstruction Finance Corporation shall not subscribe for or purchase any preferred stock or capital notes of any applicant insurance company, (1) until the applicant shows to the satisfaction of the Corporation that it has unimpaired capital stock, or that it will furnish new capital which will be subordinate to the preferred stock or capital notes to be subscribed for or purchased by the Corporation, equal to the amount of said preferred stock or capital notes so subscribed for or purchased by the Corporation: *Provided*, That the Corporation may make loans upon said preferred stock or capital notes, if, in its opinion, such loans will be adequately secured by said stock or capital notes, and/or such other forms of security as the Corporation may require"; and on page 3, line 13, of the Senate bill, strike out "acceptance" and insert in lieu thereof "loan"; and the House agree to the same.

Amendment numbered 9: That the Senate recede from its disagreement to the amendment of the House numbered 9, and agree to the same with an amendment as follows: On page 6, line 16, of the Senate bill, after the period, insert quotation marks; and the House agree to the same.

That the title of the bill be amended to read as follows: "An act to authorize the Reconstruction Finance Corporation to subscribe for preferred stock and purchase the capital notes of insurance companies, and for other purposes."

DUNCAN U. FLETCHER,

ALBEN W. BARKLEY,

R. R. REYNOLDS,

JAMES COUZENS,

HAMILTON F. KEAN,

Managers on the part of the Senate.

H. B. STEAGALL,

T. ALAN GOLDSBOROUGH,

ROBERT LUCE,

Managers on the part of the House.

HOUSE BILL REFERRED

The bill (H.R. 5239) to extend the provisions of the act entitled "An act to extend the period of time during which final proof may be offered by homestead entrymen", approved May 13, 1932, to desert-land entrymen, and for other purposes, was read twice by its title and referred to the Committee on Public Lands and Surveys.

ESTABLISHMENT OF NATIONAL EMPLOYMENT SYSTEM

The VICE PRESIDENT laid before the Senate the amendments of the House of Representatives to the bill (S. 510) to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes, which were on page 2, line 10, after "compensation", to strike out all down to and including "act" in line 15; on page 2, line 16, after "authorized", to strike out "in accordance with" and insert "without regard to"; on page 2, line 17, after "and", to strike out "in accordance with" and insert "without regard to"; on page 2, line 24, after "act", to insert "In case of appointments for service in the veterans' employment service provided for in section 3 of this act, the Secretary shall appoint only veterans of wars of the United States."; on page 3, line 4, after "occupations", to insert "to maintain a veterans' service to be devoted to securing employment

for veterans"; on page 3, line 6, after "Columbia", to strike out all down to and including "veterans" in line 8; on page 3, line 11, after "thereof", to insert "in which there shall be located a veterans' employment service"; on page 3, line 22, after "the", to strike out "Territory of Hawaii" and insert "Territories of Hawaii and Alaska"; on page 4, line 4, after "act", to strike out the remainder of the paragraph; on page 9, after line 4, to insert:

Sec. 10. During the current fiscal year and the two succeeding fiscal years the director is authorized to expend in any State so much of the sum apportioned to such State according to population, and so much of the unapportioned balance of the appropriation made under the provisions of section 5 as he may deem necessary, as follows:

(a) In States where there is no State system of public employment offices, in establishing and maintaining a system of public employment officers under the control of the director.

(b) In States where there is a State system of public employment offices, but where the State has not complied with the provisions of section 4, in establishing a cooperative Federal and State system of public employment offices to be maintained by such officer or board and in such manner as may be agreed upon by and between the Governor of the State and the director.

The authority contained in this section shall terminate at the expiration of the period specified in the first paragraph of this section, and thereafter no assistance shall be rendered such States until the legislatures thereof provide for cooperation with the United States Employment Service as provided in section 4 of this act.

On page 9, line 5, to strike out "10" and insert "11"; on page 10, line 3, to strike out "11" and insert "12"; and on page 10, line 7, to strike out "12" and insert "13."

Mr. WAGNER. I move that the Senate concur in the amendments of the House.

The motion was agreed to.

UNFAIR TRADE PRACTICES

Mr. CAPPER. Mr. President, I ask unanimous consent to have printed in the RECORD a statement by Mr. Adam Kessler, Jr., of N. W. Ayer & Son, of Philadelphia, relative to unfair trade practices.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

Masses must earn before they can spend.

Masses must be employed at fair wages before they earn.

Manufacturers must see the opportunity to profitably produce before they will employ.

When masses have not buying power, trading instinct cries for lower prices. Then destructive operations start and continue until there is no profit for a manufacturer, little if any profit for wholesalers and retailers, and the result is production of inferior, misrepresented merchandise produced with underpaid labor to keep within a so-called "buyers' market."

The unscrupulous buyer grinds away and away until honest businesses are forced to close, more people are thrown out of employment, and there is no profit for the legitimate channels of trade with a continued decimation of these forces. Thus we go from bad to worse, finding ourselves in the hands of the selfish, unscrupulous manufacturers, wholesalers, and retailers—always destroying, never creating except for their few selves at the expense of the masses—and so parasite destroys parasite.

The destruction of production forces and trade channels must stop and construction must begin. Inventories are depleted—an excellent point from which to start. They will be replenished when confidence is restored through an appreciation that honest goods can be sold at an honest price, giving a living to the handlers and a value to the buyers, as well as a profit to the manufacturer. By this reaction the wholesaler benefits as do the honest factors in production, their workers, those from whom they in turn buy supplies, and in turn their workers, until we come to the labor and raw-material basis of each and every manufacturing fabrication.

Until the unscrupulous manufacturers and tradesmen are controlled they will continue their devastating practices. As President Roosevelt so ably said in his speech on Sunday night, May 7, in speaking of further legislation:

"Well-considered and conservative measures will likewise be proposed, which will attempt to give to the industrial workers of the country a more fair wage upturn, prevent cutthroat competition and unduly long hours for labor, and at the same time to encourage each industry to prevent overproduction."

He further told us:

"We cannot ballyhoo ourselves back to prosperity."

And in speaking further on the bad practices that conditions have developed, he said:

"Let me illustrate with an example. Take the cotton-goods industry. It is probably true that 90 percent of the cotton manufacturers would agree to eliminate starvation wages, would agree to stop long hours of employment, would agree to stop child labor,

would agree to prevent an overproduction that would result in unsalable surpluses.

"But what good is such an agreement if the other 10 percent of cotton manufacturers pay starvation wages, require long hours, employ children in their mills, and turn out burdensome surpluses?"

"The unfair 10 percent could produce goods so cheaply that the fair 90 percent would be compelled to meet the unfair conditions. Here is where government comes in. Government ought to have the right, and will have the right, after surveying and planning for an industry, to prevent, with the assistance of the overwhelming majority of that industry, unfair practice and to enforce this agreement by the authority of Government."

In speaking of the antitrust laws he said:

"... but these laws were never intended to encourage the kind of unfair competition that results in long hours, starvation wages, and overproduction."

"The same principle applies to farm products and to transportation and every other field of organized private industry."

Control the 10 percent or give the other 90 percent the power to control them and there will have been taken one of the fundamental steps of rehabilitation.

How?

Honest manufacturers have for years placed their names on the merchandise they have produced—that is, where it was practical to do so—and we have seen these names appear on many articles where in previous years we did not believe it practical. An honest man will not only sell his name with his goods as a mark of identification and guaranty of value but will invest, and has invested, part of his profits that people may know of same for their own protection in their safe buying of merchandise.

When a man sells his name on his merchandise, he is selling something more than a mere fabricated commodity. He is selling a part of his capital investment, the skill and livelihood of men and women he has trained in his business and who are gainfully employed.

He should be equally insured with all these people he employs, directly and indirectly, by being permitted to participate in the life and trade of this Nation, free from the ravages of the unscrupulous, destructive factors that have so imperiled the livelihood of our millions of workers.

Production cannot and must not be divorced from distribution. Correction and control must carry down to the very doorsteps of the smallest retail establishment, the community market, and the sidewalk merchant because, first, many manufacturers have fostered the cut-price movement by selling their merchandise at a differential to selected buyers, enabling this class to sell to the consumer at a price that the same manufacturer would sell the same article to many thousands of merchants who may not be classified in the group of selected buyers; second, the retailers and wholesalers falling in this latter class have been forced, in an effort to protect themselves, into forming almost every character of association. Their intentions have been good but the results not particularly beneficial.

The law says in a broad way that you cannot take another man's life by premeditation. Here we have a practice which, in the guise of benefits to the masses, is in itself insidious, vicious, torturingly destructive, and equally deadly.

Therefore, if the honest manufacturers are permitted by law to name the consumer price on their merchandise, with equal regulatory control over the channels of distribution through wholesaler and retailer, then there would be formed the first important step in correcting this great existing evil.

This does not mean that, in a given industry, and let us use for illustration here the food industry, all branches should be on the same percentage basis above a given plane, nor does it mean that every manufacturer in any one branch of this industry should be on a given percentage basis above a given plane. But it does mean that every manufacturer would have a right to set a minimum wholesale, retail, and consumer price on the product he produces and that that price would be officially registered, that he could not depart from this minimum price without proper record and consent, that anyone departing from this list of minimum prices in their particular functioning in the channel of distribution would be guilty of violation of the law, subject to confiscation of property, fine, and imprisonment.

"Minimum price" is used here rather than a definite price for the reason that we must recognize that certain variations of price within reasonable limits are fair and permissible on the basis of service and nonservice distributive organizations. However, as an illustration, the price that an article is sold for by a corner grocery store and the price the same article is sold for by a cash-and-carry store in the grocery field should be such that the minimum price so regulated would not be more than 10 percent less than the basic list price at which the corner grocery would sell, this differential not to exist however in the wholesale channels but only in the retail field. Such an arrangement would still return a fair profit to all classes of retailers in relation to turn-over and volume.

There is another factor in the channels of distribution that has contributed chaos and destruction in the retail selling field.

Chain stores in their early beginning developed in the 5-cent and 10-cent field, or what may be known as the "novelty field", then rapidly spread into groceries, tobacco, meats, etc.

In the course of this development and in the desire to corral business on an unfair basis, grocery stores expanded to include

meats and green goods and candy, and have even gone so far in many cases as to sell housefurnishings.

In the drug field they have departed from drugs and the immediate allied articles of that trade until the vast majority of drug stores are unrecognizable today, having largely the semblance of lunch rooms and novelty stores.

There is correction needed in this retail scheme of distribution providing that a man in the drug business confine his selling to drugs and those things definitely allied with them, that a chain in the tobacco field should confine itself to tobacco products and those things definitely allied with them, in the grocery field the same thing, likewise in the meat field, and in the green-goods field, and so on. Likewise there should be a clear definition as to the departmentalization of department stores and that group of stores that fall into the classification known as the "5-cent, 10-cent, 25-cent, and \$1 stores."

Retail-trade activities definitely prescribed and regulated along these lines, together with price control on the part of manufacturers who elect to apply same on the goods they produce, would give a method under which honest retailing would be conducted, yielding a fair living to those participating. As the situation exists today, they operate at a loss and in distress through the unfair and greedy practices of those who have been able to corral capital, take advantage of distress merchandise, and thereby operate a destructive scheme of selling.

INDEPENDENT OFFICES APPROPRIATIONS

The Senate resumed the consideration of the bill (H.R. 5389) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1934, and for other purposes.

THE VICE PRESIDENT. The question is, Will the Senate suspend rule XVI for the purpose of considering the amendment offered by the Senator from Florida?

MR. TRAMMELL. Mr. President, I want to take just a little time to explain my amendment. When we had the matter up yesterday I believe there were not more than 30 Senators present.

The amendment which I propose to offer, if the rule is suspended, is one that provides that service-connected veterans and pensioners shall not have their compensation reduced in excess of 15 percent. Another important provision of the amendment, as I conceive it to be, is that where a veteran is already upon the roll as a service-connected case drawing compensation or is on the roll as a pensioner, his case having once been thoroughly considered and a decision reached that he was entitled to the compensation or the pension, in any effort thereafter to review that case, the object being to bring about some reduction, the law should require that the burden of proof be upon the Government. If the Government seeks either to reduce or take away from the veteran an allowance which has previously been made to him upon the record furnished, after deliberate consideration by the Veterans' Administration, then the necessity for proof should rest upon the Government. I added that feature to the amendment because in reading the regulations, in some respects at least, I have been impressed that the effort on the part of the Veterans' Administration is to require a veteran to furnish proof himself for the purpose of reestablishing his claim, which I think is an absurd and ridiculous proceeding after the former decision had been rendered and he is already upon the rolls.

I mentioned yesterday, and I repeat, that the President, in his generosity and spirit of fairness, so the regulations state, advised the Veterans' Administration that in the cases of Spanish-American War veterans it would be difficult for them at this late day to furnish additional evidence to establish service connection, and that he therefore believes they should remain upon the roll as presumptive service-connected cases. Of course, that policy is absolutely correct, in my opinion. The Veterans' Administration in carrying out those regulations refers to this generous and righteous policy of our good President, but in addition to that they call upon the veterans to send proof to establish their service connection. We know what will be the consequence. In a very large majority of cases, the Spanish-American War having taken place 35 years ago, the veteran receiving a questionnaire will find that many of his witnesses are dead and gone. There were poor and very inadequate records kept during the Spanish-American War, as we all know who have given any consideration to the matter. All the veteran

can do is to send back the questionnaire with very little information upon it except his own statement as to service connection. That reaches the Veterans' Administration and they say at once that the man has disproved his own case and removed the right of presumption of service connection which the President had declared would be a just policy in dealing with cases of that kind.

All through the regulations and questionnaire in regard to other features of the law there runs a similar effort to entrap the veteran on account of absence of additional proof and to get him in a position whereby the Veterans' Administration, upon a man's own statement, can declare that his is not a service-connected case.

Another very unreasonable feature is that they ask the veteran to give proof of the time of the inception of the case. The average veteran that might be stricken with tuberculosis and many other diseases cannot tell just when it began. Unless it is an injury or wound, he is unable to give any definite information. I dare say the average capable physician, when he diagnoses a case and finds tuberculosis or some other severe disease, could not tell what the causes were or when they occurred definitely. They could only give an approximate idea. Yet the Veterans' Administration seeks information of that character, which in my opinion is an unfriendly thrust toward the veterans and another effort to get an advantage of them in reviewing the cases.

I have been impressed, upon the information which I have received from time to time from veterans, which in many instances has been corroborated by the records in the Veterans' Administration, that there are hundreds and thousands of service-connected cases where the veteran is being mistreated and where his compensation has been reduced by an unreasonable percentage. My own records disclose reductions ranging from 30 percent to as high as 70 percent. The reductions approximating 70 percent mostly apply either to the blind or the bedridden or to veterans who lost a limb. I mentioned some of these instances yesterday.

In this morning's paper I notice a full page of propaganda addressed to Congress by the American Veterans' Association, signed by a man named Williams. It is not signed by any veterans' organization with which we are all familiar, not signed by a post of the American Legion or by a post of the Veterans of Foreign Wars, but is signed by the "American Veterans' Association." I have not been able to ascertain just what that organization is. At any rate, it is the desire on the part of that organization to persuade Congress not to correct the abuses which I think every Senator realizes exists, but to leave the matter an open chapter to be corrected by the Commander in Chief, though, in fact, of course, we all know the details and planning of these matters are handled by the Veterans' Administration and by Mr. Douglas, Director of the Budget, and not the President. No one man can serve as President and have the time to give personal attention to such details.

MR. WALSH. Mr. President—

THE VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Massachusetts?

MR. TRAMMELL. I yield.

MR. WALSH. Is the Senator's amendment confined exclusively to service-connected cases?

MR. TRAMMELL. Absolutely.

MR. WALSH. It does not include presumptive cases?

MR. TRAMMELL. No; it is confined to service-connected cases.

MR. WALSH. The purpose of the amendment is to prohibit the Veterans' Administration from changing the ratings of service-connected disabled veterans by more than a 15-percent reduction?

MR. TRAMMELL. Not in excess of a 15-percent reduction. That is the maximum. They can only reduce by not to exceed 15 percent, under my amendment. That is not an arbitrary percentage. That percentage is arrived at in view of the fact that Congress in its wisdom has deemed it proper to provide a reduction of only 15 percent as applied to civilian employees. That 15 percent applies as much to

the \$10,000 salary or the \$15,000 salary as it does to the smaller salaries. I take the position that if Congress says that a man who is receiving a salary of \$18,000 per annum—I mention that because there is one \$18,000 per annum salary allowed in the very bill we are considering—if Congress takes the position that that man's salary should be reduced only 15 percent, it is the height of injustice to take the position, upon the other hand, that a patriotic veteran who served his country with credit and with loyalty and devotion should have his compensation of \$20, \$30, \$40, to \$100 reduced more than 15 percent. I cannot find any justification for saying that the man who receives a salary of \$10,000 shall have his salary reduced only 15 percent, while the veteran receiving \$90 a month, because through the misfortunes of war he lost his sight completely, shall have his compensation reduced from \$90 a month to \$20 a month.

Mr. COPELAND. Mr. President, I have just come into the Chamber. The Senator was speaking about veterans who were injured in battle, was he not?

Mr. TRAMMELL. I was referring to service-connected cases. This amendment does not apply to those that are not service connected.

Mr. COPELAND. Does the Senator know that there are now in Mount Alto Hospital veterans who have lost both arms, veterans who have lost both legs, men who were gassed in actual battle and now are suffering from active tuberculosis, who, under the operation of the present law, have their compensation cut one half?

Mr. TRAMMELL. I thank the Senator for mentioning those cases. I mentioned yesterday a case where one of these poor fellows was suffering from having been gassed during the war, and has been confined to hospitals practically all the time since, and was receiving a compensation of \$100 a month, which, under the order of the Veterans' Bureau, has been reduced to \$23 per month. He is a hospital subject now, and a very pitiful case, according to what he wrote me—and I believe he wrote me the truth in regard to the matter.

Mr. RUSSELL. Mr. President, will the Senator yield?

The VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Georgia?

Mr. TRAMMELL. I yield.

Mr. RUSSELL. I am very much in sympathy with placing some fixed limitation on the amount of reduction that can be made in strictly service-connected cases. I think every Member of the Senate has been absolutely shocked at individual cases that have been brought to our attention where men who even today are carrying German bullets in their bodies have had their compensation cut to as low as \$8 a month; but would not the effect of the Senator's amendment as written be to freeze all of the existing service-connected cases, whether connected by presumption or otherwise, as well as battle casualties?

Mr. TRAMMELL. I think that even in the presumptive cases, if the Government sees fit to attack those cases, the burden of proof should be upon the Government.

Mr. RUSSELL. I am referring to the presumption established by statute.

Mr. TRAMMELL. This amendment would not bar them. As the Senator knows, nearly all the statutes are repealed by the Economy Act. That is one of the tragedies of this situation.

Mr. RUSSELL. Yes; but the Senator's amendment says that regardless of any provision of the Economy Act, the compensation in these cases shall not be reduced more than 10 percent.

Mr. TRAMMELL. But it does not bar the Government officials from making further inquiry into a case; and if they make inquiry into the case I do not think there is any law then that would authorize them to carry a presumptive case on the rolls if they find that it is merely presumptive.

Mr. RUSSELL. The Senator's amendment, though, would freeze the presumptive cases as of March 20, 1933.

Mr. TRAMMELL. Of course, if the Senator feels that way about it, he might propose an amendment to cover that

feature of the matter. I should prefer not having an amendment of that kind, however. I remember that the first statute extending presumptions was in regard particularly to cases of tuberculosis. It was believed that where this disease had made itself so apparent that the doctors so diagnosed the case within a certain given time after the war the presumption would be that it had been contracted during the time of the war. If we do away entirely with the idea of any presumptive cases, of course we then enable the Veterans' Bureau, following out up to the present time what seems to be a very harsh policy, to strike off a great many people who probably are justly entitled to compensation on account of injuries or disease acquired during the war.

I should much prefer, of course, not to go into any details about the matter of presumption. I was not thinking particularly about that, however, when I prepared the amendment. I was thinking principally of trying to retain upon the rolls those who had service connection without their compensation being reduced in excess of 15 percent. Of course, I first placed the percentage at 10 percent instead of 15, and the amendment will be read in that form; but I propose to offer a modification to change that to 15 percent.

I do not see how we can possibly, with consistency, authorize a reduction in excess of 15 percent in view of the record of Congress. There is not anything offensive, there is not anything objectionable, in placing a limitation upon the amount of reduction that may be made. Are not the rights of the soldiers as sacred to Congress and to the American people as the rights of the civilian employees of this country? Yet Congress prescribed definitely that the President should not reduce the salaries of civilian employees in excess of 15 percent. Are we willing to prescribe definitely a maximum of reduction which may be made in regard to civilian employees and then refuse to prescribe a maximum reduction that may be made in soldiers' compensation?

I cannot see any consistency in a policy of that kind. Some others may entertain the view that we may treat with indifference the rights of the soldiers of our country; that we may not consider that we owe to them the duty of preserving their righteous interests by prescribing a maximum; but I do not think there is anybody in the Senate who feels that way. That, however, will be the consequence if the rules are not suspended and this amendment is not adopted. The past best tells the story of what we may expect in the future. The story of the past has been a wholesale, arbitrary abuse of reduction of the compensation of the service-connected veterans. There is ample proof here to show that.

Do we expect the men who were so heartless and so inconsiderate of these patriots of our country, who have served the Nation with a fidelity unexcelled by that of the soldiers of any land, as to promulgate and to put into execution such orders as they have in the past, to deal very generously with the veterans in the future?

Unless the President takes the situation in hand himself, and, through his generous and just spirit, directs definitely what shall be done, I anticipate that there is not going to be any very substantial remedy of the critical situation which exists at the present time, even in regard to the service-connected cases.

Of course, people have their own ideas as to how they will administer laws; but, while I do not like to call names, I should not expect the different agents in the Veterans' Administration, nor should I expect those who direct the Budget Bureau, so completely to face about and change their hearts of stone, as I see it, as to give any very generous treatment to our veterans.

It is these circumstances, these abuses, this lack of consideration and sympathetic consideration toward our veterans in the past, that make me think we might well judge the future by the past; and for that reason I should like to do what I conceive to be my duty. I therefore have proposed this amendment, hoping that it would correct in a degree a most tragic and pitiful situation that exists with

thousands of America's heroes and veterans who in 1917 and 1918 went across the sea and fought the battles of the Nation, many of them falling upon Flanders fields while serving their country. Instead of trampling upon, as I see it, the right and the justice which should be extended to them, I would pay tribute to the living; I would revere the memory of those dead boys who sleep beneath the sod of Flanders fields, and rest beneath the sod in their homeland.

I never get any inspiration from people who are fighting justice, who would have an injustice done to their fellowman, whether he be a soldier or whether he be a civilian. I do not know the origin of this organization that wrote the page advertisement that appeared this morning, fighting against any adjustments, urging us to let the situation just rock along and take care of itself. I venture the assertion, however, that those back of that propaganda, if veterans, probably were, most of them, swivel-chair artists; most of them today live in affluence and plenty; and I dare say further that the propaganda inserted in the page advertisement in the Post this morning was inspired by the Economy League.

That organization ought never to have been called an "economy league." It ought to have been called a "tax-dodgers' league." That would have been a more appropriate name to apply to the so-called "Economy League", because it was supported mostly by the big interest of the country, by people who were afraid they would be taxed a little more. I would call them the "tax-dodging league" instead of the Economy League. I dare say they had something to do with the page advertisement that appeared in the Post this morning.

Regardless of that, I feel that I have a duty to perform. I think it is nothing at all out of the ordinary for Congress to exercise its authority and place a limitation upon the reductions that may be made in the compensation of veterans, just as Congress placed a limitation upon the reductions that could be effectuated in the salaries of civilian employees of the Government.

Mr. President, I hope very much that the motion for suspension of the rules will be adopted, and then that the amendment can be proposed and agreed to.

Mr. CAPPER. Mr. President, I intend to support the amendment offered by the Senator from Florida [Mr. TRAMMELL] to limit the power of the Executive in reducing compensation, pension, or allowance of any veteran or dependent to not more than 15 percent where the injury or disability is service connected.

It is not my intention to evade any responsibility of my own by attempting to pass it to the President or the Budget Director or the Administrator of Veterans' Affairs in this matter, but I do want to say that it never entered my mind, when I voted for the economy measure giving those broad powers to the President, that they would be abused as I believe them to have been abused in the regulations and rulings made by the Veterans' Administration regarding service-connected cases, and also pensions for the Spanish-American War veterans.

We have been promised, as I understand it, that these regulations will be liberalized. They should be liberalized. A great wrong has been done these veterans. As I have said before, this Nation's honor is just as important as a balanced Budget, and, as I see it, the Nation's honor is involved in fair and humane treatment of the veterans of our wars and their dependents.

The economy program approved by Congress reduced salaries of Government officials and employees only 15 percent. I say there is no good reason why we should reduce the compensation or allowances of the Nation's defenders more than 15 percent, especially when it applies to disabilities that are service connected.

There is no doubt that the Veterans' Administration has gone too far in its drastic economy program at the expense of the veterans. We have been assured that changes in regulations to correct this maladministration of the Economy Act will be made. But it seems to me that perhaps

the Congress could make the job easier for the Veterans' Administration, for the Budget Director, and for the President, if we placed some limitation such as has been suggested by the Senator from Florida on the powers of the Executive.

Perhaps it is true that 90 percent of the most glaring injustices complained of could and will be corrected by changes in regulations and more leniency in applying the regulations; but I believe it also would be sound policy for Congress to indicate that the Veterans' Administration is expected to liberalize these regulations as to service-connected cases and interpret them fairly, instead of using them to cut and slash the compensation and allowances and pensions in every case.

The country desires that every deserving disabled veteran be adequately cared for. If it is necessary to make a larger appropriation than is called for in the pending bill, I am willing to vote for a larger appropriation. The Congress should not permit such outrages against justice as are contemplated in the Veterans' Administration's present program, even in the name of economy. I hope the Congress will not adjourn until the regulations issued under the Economy Act are liberalized or modified.

Mr. HATFIELD. Mr. President, I have listened with a great deal of interest to the discussion of the amendment presented by its author, the junior Senator from Florida [Mr. TRAMMELL], and I find myself very much in sympathy with it. The attitude of the lay mind upon the subject of presumption is a problem which I have never been able to solve, for the reason that I cannot understand how the lay mind can ever interpret what is a reasonable presumptive period within which certain forms of disease may enter a soldier's body, or the body of any other human being, and remain there for an indefinite period of time and then become an outspoken manifestation.

Tuberculosis is one of those diseases which enters the human body without any definite period of incubation before it becomes an outspoken disease. The same principle applies to many of those diseases which are classified now under the neuropsychiatric rule. Yet we have laymen in control of and directing the destiny of the Veterans' Bureau, men recognized by the American people, even up to the President of the United States, taking the position and speaking definitely upon the presumptive period of many of the diseases to which the body of the American soldier is heir, limiting, by law, through their influence, the period in which presumption can be established so as to enable them to deny the soldier the care of the Government he has so well served.

Mr. President, in 1929 I discussed the subject of presumption before the Committee on Finance, and at that time I presented authorities upon the subject whose reputation and standing in the medical profession of the world is unquestioned. They state definitely and positively that tuberculosis may be taken into the human body, remain dormant there for even the period of a natural lifetime, or it may remain dormant for a long period of time, anywhere from 10 to 15 or 20 years, and then, because of lack of resistance, because of the lowering of the resistance of the body, because of mental worry, because of some condition that has broken down the resistance of the individual, the tubercular manifestation stored up in some little cavity, surrounded by a calcareous deposit, may break out, and the unfortunate individual develop a definite case of tuberculosis and rapidly pass into a state which ultimately saps from him his life.

The same history is applicable to neuropsychiatric conditions, starting in with a molecular involvement of small particles of brain tissue, resulting in a break of the electrical connection furnished by the brain cells which control the muscular and other coordinating systems of the human body, resulting in a beginning with a small yet detectable tremor of the extremities, which finally becomes an outspoken manifestation, resulting finally in the inability of the unfortunate individual who has developed this mental or neuropsychiatric condition to feed himself. The coordinating power of the individual becomes so impaired that it renders him a

hopeless cripple, and often a subject of charity, or he must be protected and cared for by the Government of the United States.

Mr. President, this picture portrays the condition which confronts many of the American veterans at the present time. These manifestations have developed far beyond the period of presumption that is laid down by law, and in many cases they are directly traceable to the soldier's service.

Now we hear that the presumptive period is to be limited to 1 year. I want to say that 5 years is not enough. As I advocated before the Finance Committee of the Senate in 1929, 10 years will not cover the presumptive period in the cases of many of those boys who served in the World War.

When we consider the Spanish-American War veteran, and when we are told that diseases such as typhoid fever, paratyphoid, dysentery, amoebic, catarrhal, and the form of dysentery that is brought about by the Shiga bacillus; that out of 280,000 soldiers in the Spanish-American War who served in defense of this country, 289,000 cases of hospital admissions were recorded at one time or another, some of which were duplicates, as some of these men were hospitalized more than once; and when I say that out of the entire group of 280,000 men, 57,024 were stricken with some form of dysentery; and when I say that 20,904 were stricken either with typhoid or paratyphoid, then it seems to me that, with this kind of a record made by these men who so faithfully served our country in the Spanish-American War, when 3,362 died from various maladies and 379 were killed in action, I am impressed with the thought that our Government, through lack of the proper sanitary care, did not sufficiently protect the Spanish-American soldier or he would not have been stricken by these diseases whose mark upon his physical structure has not been eradicated by the passing of time; indeed, to the contrary, the seeds of these diseases are no doubt stored up in their bodies, serving as a basis for acute and new manifestations of diseases.

Mr. President, when a typhoid infection is developed the patient lies upon a sick bed suffering with a temperature averaging anywhere from 100 to 105 or 106, subjected in many instances to a disintegration of the glandular structure that is found in the alimentary canal. Not only that but the complications which arise result in some cases in infection of the gall bladder, reflecting itself in a general cholecystitis, or an infection of the common and cystic ducts, including the gall bladder, resulting in the forming of gall stones, 25, 30, yea 40 years after the primary involvement of typhoid fever was experienced by the individual soldier. This last-named disease reflects a new involvement in the soldier's body, springing from the primary disease, typhoid fever, and as a conclusive proof of the typhoid infection being the cause, typhoid bacilli is found to form the nucleus around which the stone is formed.

The same condition applies to dysenteric conditions, such as the amoebic form, causing abscesses of the liver, involving every part of the body because of this infection, and only the primary disease can be cured, in many cases, by surgical procedure, in which copious amounts of, or large antiseptic solutions are utilized for the destruction, by chemical action on the amoeba as it inhabits the human alimentary canal.

Take the manifestations of typhoid fever primarily, take the manifestations of typhoid fever secondarily, which involve the circulatory system of the human body, resulting in what is known as "phlebitis", or an infection of the venous part of the circulatory system resulting in the forming of emboli in the circulation, which in some instances are carried to the brain, producing paralysis, and in other instances to the heart, causing some form of an infection of the heart, bringing about a gluing of the valves, resulting in an organic condition of the heart. Is it any wonder that the Congress of the United States in years past, based no doubt upon some medical information they had, gave to the Spanish-American War veteran the opportunity to establish his claim, even to the point of permitting all those with a disability to be placed on the pension rolls? But today we find that same group of patriotic Americans

whose names appeared upon the pension rolls almost obliterated therefrom because of their inability to come within the presumption that their disability is service connected. They cannot prove to the satisfaction of some man who, though not a trained physician, directs the destiny of the veterans and deals with these problems, that some bone lesion, which, from the medical point of view, is directly traceable to the primary typhoid infection, is thus directly traceable to it, and so the soldier is refused a service connection which will enable him to draw a pension. The same condition prevails in the case of other manifestations that secondarily develop, possibly years and years after the veteran has suffered the primary lesion from typhoid fever or some form of dysentery.

There were no accurate medical records kept of those veterans of the Spanish-American War. I want to say, Mr. President, perhaps, by way of forecast and recommendation to the Congress of the United States, that if the Government of the United States would do its plain duty toward this group of men it would put them upon a parity with those men who so valiantly served this Nation when there was a threatened destruction of the Union of the States from 1861 to 1865.

Mr. President, for the Government to say that we will not continue to protect these men who so faithfully and so patriotically served their country, regardless of any depression that may exist at the present time, regardless of any depression that may exist in the future, is, indeed, a disservice and a failure to pay rightful tribute to those who were patriotic and are devoted to the flag.

The Spanish-American War soldier did not have the advantage, Mr. President, of immunization from typhoid or from paratyphoid, for the reason that at that time there had not been completed and made practicable the discovery of the methods for immunization from these direful and distressing diseases.

I could go along, Mr. President, and give many reasons why I support this amendment. I spoke upon this subject in no uncertain terms on March 15, 1933, when the economy bill was before this body. I then pointed out the attitude of the former President upon the subject of presumption; also I pointed out the training and qualifications of the present Chief Executive, but, Mr. President, if it be correct, as I have heard it is, that the present Chief Executive is in sympathy with only a year being allowed as a presumptive period within which a soldier may connect his disability with some disease which he contracted in the service, I want to say that a great injustice will be done to the World War veterans. But, as I see it today, the greatest injustice that has been done is to the Spanish-American War veterans. In that war 280,000 men were in service; 57,024 were stricken with dysentery and 20,904 with typhoid fever, with all the complications that visit the human body as a result of the seeds left by these diseases, which extend over a period of development of 35 or 40 years. When I say 35 or 40 years, I make the statement advisedly, for it is supported by authority, and there is no dispute as to the long-continued period of incubation between the primary development and the secondary involvement from which many of the Spanish-American War soldiers are suffering today. Indeed, Mr. President, I have demonstrated this fact in my own professional experience. Yet we find that they are stricken from the roll, and must in many instances be the objects of charity.

A gentleman, 60 years of age, came into my office about 3 weeks ago, who had served all through the Spanish-American War, and who had served in the Philippines, and told me of the meager pension he was receiving in his disabled condition. He was suffering with an organic heart disease, which possibly was primarily developed from a typhoid infection which he incurred during his service in the Spanish-American War; it had become a heart involvement caused possibly from phlebitis, a complication from his typhoid, that made it impossible for him to walk up as many as three flights of steps without stopping to take his breath.

These are the pictures, Mr. President, that are being portrayed to the medical profession from one end of this Nation to the other; and I am just wondering whether or not there is enough patriotism left in the Congress of the United States to extend a helping hand to this class of patriotic Americans. I want to say that the distinguished Senator from Florida must have had the same experience that has come to my office, and I shall be glad to vote for and support his amendments in every way I can.

Mr. President, I have as another exhibit a report in the case of a ragged colored man who served overseas and whose loyalty and devotion to his country is attested by the captain under whom he served. His name is Marshall Clark. My experience with him reminds me of the poem, a paragraph of which portrays the old colored man as a worn-out rudder, broken and thrown away. He came into my office a few days ago clothed in rags, barefooted, Mr. President, and hungry. Here is the history of the case: The number of the case is C-1381119. The veteran filed application about March 4, 1932, with the regional office of the Veterans' Administration at Pittsburgh, giving his place of residence at that time as near Benwood, W. Va., where he worked in a coal mine. The allowance was awarded him on April 27, 1932, effective March 4, 1932, in the amount of \$12 a month.

The veteran states that at the time he filed application for disability allowance he also asked for hospitalization, which was not furnished because no beds were available. He therefore left his place of residence and started for Washington on foot, with the hope of receiving hospitalization in one of the Washington hospitals. Thus he indicated his confidence, Mr. President, in the Government of the United States, for he felt if he could reach the central part of his Government that he would there find men who would extend a helping hand, because he had given his service and offered his life, if the country needed it, in support of his country. He became sick en route and was picked up on the road near Kingwood, W. Va., and sent to Washington by the American Legion at Kingwood. Arriving in Washington he applied to the Veterans' Administration for hospitalization, which was granted, and the veteran was sent to the Veterans' Home at Hampton, Va., on March 9, 1932, where he remained until December 25, 1932.

It appears from the records that the Pittsburgh regional office made several attempts to locate the veteran, which were not successful, and a stop payment was issued on the account September 7, 1932. In other words, Mr. President, there was no connection between the Pittsburgh office and the Veterans' Administration office in the city of Washington that would enable them to keep in touch and in control of those who were upon the hospital rolls of this country.

While the regional office at Pittsburgh was enlisting the assistance of the American Red Cross at Wheeling to locate the claimant, the veteran was under the care of the Veterans' Administration in the Veterans' Home at Hampton, Va.

Here we have the spectacle of one part of the organization seeking the location of the veteran, while another part of the Veterans' Administration was extending to him domiciliary care at Hampton, Va. It would seem that the records of his hospitalization should have been contained in his folder and that it would be an easy matter for any office, division, or section of the Veterans' Administration to consult this folder in order to obtain the proper address.

While at the home at Hampton, Va., the veteran was not aware that an award had been granted, and consequently had no knowledge that checks were due him and that another part of the Bureau was looking for him.

I am in receipt of a letter from the Veterans' Administration which reads in part, as follows:

In view of the fact that no payments were made under the award prior to March 20, 1933, the date the World War Veterans' Act was repealed, no payments are now in order in view of precedents of the administration in this regard.

And so, Mr. President, this ragged soldier of fortune is without shelter, without clothes, without food, and is today an object of charity in the city of Washington.

The Veterans' Administration refuses to pay the veteran the amounts due him for disability allowance in accordance with the award made him, of \$12 a month, commencing March 4, 1932, because no payments were made under the award prior to March 20, 1933, the date when the World War Veterans' Act was repealed. In other words, Mr. President, the administration of the Veterans' Bureau undertakes by regulation to make the law which was passed at this special session of Congress retroactive in dealing with this unfortunate veteran.

Thus it is shown that through no fault of the veteran the Veterans' Administration failed to deliver to him amounts due him under their own award, although he was for almost 10 months in the Veterans' Administration Hospital at Hampton, having been sent there by the Washington office, through Dr. W. L. Kline, an outstanding physician, a man who is entitled to the confidence of the soldier because of his great ability as a physician. The veteran's folder, if the papers were properly kept, should have had a record of his hospitalization.

This is just a sample of the injustice that is being done to many of those who served their country in its time of need; just like the picture I portrayed yesterday of the treatment being accorded the unfortunate World War veteran who lost his limb at the hip in the Argonne; just like the picture of the manner in which the boy who sustained a fracture of his spine, and who is now in a state of progressive paralysis, which will finally become complete, is being treated under the guise of economy by the Federal Government. He has been reduced from \$90 to \$40 a month for himself and his wife.

But due to the repeal of all veterans' laws by the so-called economy law the veteran has no redress, and section 5 of that obnoxious measure provides that the decision of the Administrator of Veterans' Affairs shall be final and not subject to review by the courts.

The veteran, the old colored soldier, is now in Washington, penniless and hopeless, although by every just and moral right he is entitled to clothes and \$150, but due to the inefficiency of the Government or its lack of sympathy for these ragged soldiers no relief apparently is to come. He has been deprived of what is justly due him.

Mr. President, in support of what I have said and in support of the patriotism of this veteran, black though the texture of his skin may be, I offer for the Record a letter, not addressed to him but "to whom it may concern", signed by Frederick F. Wright, formerly first lieutenant of Company M, Eight hundred and second Pioneer Infantry, American Expeditionary Forces, whose home address is Newark, Ohio, and who is connected with the First National Bank of that city. I ask that the letter may be printed in the Record at this point.

The PRESIDING OFFICER (Mr. WHEELER in the chair). Without objection, it is so ordered.

The letter is as follows:

To those whom it may concern:

This is to certify that the bearer, Marshall Clark, was a corporal in the third platoon, Company M, Eight hundred and second Pioneer Infantry, of which I was first lieutenant. That he served with me faithfully and well from the time that we left the United States, about September 13, 1918, until we returned, July 1, 1919. That he was on active duty during our tour of duty in the Meuse-Argonne offensive, incurred neuritis, and after our return to Sable, Department of the Sarthe, was sent to the hospital in Angiers, where he stayed about two months. That he rejoined the company and came back with us to the United States, being honorably discharged at Camp Lee, Va. That his record was good, that his disability was incurred in line of duty. I will be glad to make further affidavits or answer any further questions concerning this man and his case.

FREDERICK F. WRIGHT,

Formerly First Lieutenant, Company M,
Eight hundred and second Pioneer Infantry, A.E.F.

Mr. HATFIELD. Mr. President, it is not my purpose to detain the Senate longer in the discussion of this question. My position is well known. My convictions are based upon a study of my profession extending over a period of 40 years and in active application of the principles of that profession which I learned in my early life and which I carry on at the present time. Soon after I took the oath

in the Senate I raised my voice in protest against the kind of treatment that was being given to the veterans. I went before the Finance Committee. Knowing that there was only one other member of the medical profession who is a Member of this honorable body, I felt that I should endeavor to present a picture based upon the medical authorities of this and other lands dealing with the subject of presumption. I have followed up this admonition at every opportunity that has presented itself down to the present time, even in dealing with the economy legislation which struck a fatal blow to the protection which the veterans of all wars have looked forward to in this period of depression.

I took this position not because of politics—not because it was my purpose to criticize anyone, either Democrat or Republican—but because I was impressed, as I always have been, with the patriotism, the genuineness of the devotion of the soldiers who have served our country from the beginning down to the present time, feeling because of the knowledge I possess in a professional way that my colleagues in the Senate of the United States would want to know what was fair and just and equitable to the soldiers of the Civil War, to the soldiers of the Spanish-American War, and to the soldiers of the World War.

Mr. President, I offer some telegrams from Spanish-American veterans' posts of West Virginia and ask that they may be printed in the RECORD at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The telegrams are as follows:

HUNTINGTON, W.VA., June 1, 1933.

Hon. H. D. HATFIELD:

We respectfully urge that Spanish War veterans be accorded the same treatment as Civil War veterans under the economy program.

W. S. TABOR,
James Russell Camp, United Spanish War Veterans.

SPENCER, W.VA., June 1, 1933.

Senator H. D. HATFIELD,
United States Senate:

Would greatly appreciate your influence in having Spanish War veterans accorded same treatment as Civil War veterans under economy program.

W. WRIGHT,
Commander Spencer Camp, No. 16, U.S.W.V.

CHARLESTON, W.VA., June 1, 1933.

H. D. HATFIELD,
United States Senator:

It is urgently requested and very imperative Spanish War veterans be accorded same treatment under economy program as Civil War veterans. To pauperize us at an average age of 60 is unfair and unjust.

H. J. CHURCHMAN,
Commander Kanawha Camp, Spanish War Veterans.

PARKERSBURG, W.VA., June 1, 1933.

Senator HENRY D. HATFIELD,
Senate Office Building:

We trust that you vote that Spanish War veterans and their dependents be accorded same treatment under economy program as Civil War veterans.

PARKERSBURG CAMP, No. 6, UNITED SPANISH WAR VETERANS,
E. E. TOWNSEND, Commander.
JOHN R. KENNEDY, Adjutant.

HARTFORD, W.VA., June 1, 1933.

Hon. H. D. HATFIELD,
Senate Office Building:

Use influence secure same treatment Spanish veterans given Civil War veterans.

O. T. GIBBS, Commander.

WILLIAMSON, W.VA., June 1, 1933.

Senator H. D. HATFIELD:

You are urged that Spanish War veterans be accorded same treatment under economy program as Civil War veterans.

JOHN STANLEY, Commander.

WESTON, W.VA., June 1, 1933.

Senator H. D. HATFIELD:

Weston Camp, No. 8, United Spanish War Veterans urge you to support us and help us to be accorded the same treatment under the economy program as Civil War veterans.

WESTON CAMP, No. 8.
L. A. GRIGGS, Commander.

WHEELING, W.VA.

HENRY D. HATFIELD,
Senate Office Building:

Urge that Spanish War veterans be accorded same treatment under economy program as Civil War veterans.

L. D. POTT.

BUCKHANNO, W.VA., June 1, 1933.

Hon. H. D. HATFIELD,

United States Senator, Washington, D.C.:

Buckhannon Camp, No. 12, United Spanish War Veterans, urge that Spanish War veterans be accorded same treatment under economy program as Civil War veterans.

Very truly,

Bert Windon, H. B. Hickman, W. L. Loudin, C. I. Loudin,
Rule Hander, B. O. Radabough, George Mayo, M. E.
Hymes, J. R. Swiger, H. L. Price, Glen Gilmer, W. P.
Brennon, Noah Oaster, Wm. Zaner, Loran Loudin.

FAIRMONT, W.VA., June 1, 1933.

Senator H. D. HATFIELD,

Washington, D.C.:

We are counting on your support for the same treatment for Spanish War veterans as that accorded the Civil War veterans under the economy program.

HUGH HARR, Commander.

COLONEL C. L. SMITH CAMP 10,
United Spanish War Veterans.

CLARKSBURG, W.VA., June 1, 1933.

Hon. H. D. HATFIELD,

Washington, D.C.:

Spanish War veterans of Harrison County, W.Va., urge that they be accorded same consideration as Civil War veterans under economy program. A large number of them cannot perform manual labor and their pension is their only income.

HOMER B. GRAPES, Commander Post No. 7.

MORGANTOWN, W.VA., June 1, 1933.

Senator H. D. HATFIELD,

Washington, D.C.:

United Spanish War veterans of Colonel Cramer Camp, Morgantown, urgently request that you use your influence toward placing Spanish War veterans pension on the same basis which applies to Civil War veterans.

ANTON E. HELGREN, Adjutant.

WELCH, W.VA., June 2, 1933.

H. D. HATFIELD,

United States Senator, Washington, D.C.:

We urge that you use your influence to postpone adjournment of Congress until adjustment of veterans' cut is made, especially in regard to service-connected disabilities.

E. E. CASSELL,
Post Commander Painter Porroni Post 1021,
of Coalwood, W.VA.

WELCH, W.VA., June 2, 1933.

Senator H. D. HATFIELD,

Senate Office Building, Washington, D.C.:

Urge that you use influence against adjournment of Congress until adjustments are made in veterans' cuts.

R. H. POWELL,
Department Commander V.F.W.

ELKINS, W.VA., June 1, 1933.

Senator H. D. HATFIELD:

Earnestly urge use your influence to put Spanish War veterans under economy program same plane as Civil War veterans. Our men voluntarily gave their services and are now too old to procure work or to perform work if procured. Drastic cuts in compensation would cause hardship and suffering. Almost impossible to prove claims of service origin on account deaths of witnesses. Injustice should not be done us.

CRAWFORD SCOTT,
Commander Zan F. Collett Camp, No. 4,
United Spanish War Veterans.

WHEELING, W.VA., June 2, 1933.

Senator HENRY D. HATFIELD,

Senate Building:

Urge Spanish-American War veterans be accorded same treatment under economy program as Civil War veterans.

C. E. O'BRIEN.

PIEDMONT, W.VA., June 2, 1933.

Hon. H. D. HATFIELD,

Senate Office Building:

Potomac Camp, No. 5, W.S.W.V., urge that you use every influence to have Spanish War veterans accorded same treatment under economy plans as Civil War veterans.

T. FRED KLENCKE, Commander.

Mr. TRAMMELL. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Couzens	Keyes	Robinson, Ind.
Austin	Cutting	King	Russell
Bachman	Dickinson	La Follette	Schall
Barbour	Dieterich	Lewis	Sheppard
Black	Duffy	Loneragan	Shipstead
Bone	Erickson	Long	Steiner
Borah	Fess	McAdoo	Stephens
Bratton	Fletcher	McCarran	Thomas, Okla.
Brown	Frazier	McGill	Thomas, Utah
Bulkley	George	McKellar	Thompson
Bulow	Glass	McNary	Townsend
Byrd	Goldsborough	Metcalf	Trammell
Byrnes	Gore	Murphy	Tydings
Capper	Hale	Neely	Vandenberg
Caraway	Harrison	Norris	Van Nuys
Carey	Hatfield	Overton	Wagner
Clark	Hayden	Patterson	Walcott
Connally	Hebert	Pope	Walsh
Coolidge	Johnson	Reed	Wheeler
Copeland	Kean	Reynolds	White
Costigan	Kendrick	Robinson, Ark.	

The VICE PRESIDENT. Eighty-three Senators having answered to their names, a quorum is present.

Mr. LONG. Mr. President, may I inquire what is the pending question?

The VICE PRESIDENT. The pending question is the motion to suspend rule XVI for the purpose of considering the amendment of the Senator from Florida [Mr. TRAMMELL].

Mr. LONG. If, as I understand it, there is going to be no objection to that procedure, I do not desire to say anything at this time. I understood there was some effort being made to bring about a harmonious understanding, and I do not want to delay consideration of the bill if that is going to be the result.

Mr. BYRNES. I intended to make a statement. If the Senator will yield to me, I will make a short statement to the Senate; and then I should like to ask for a vote on this amendment.

Mr. LONG. Go ahead and make the statement. Then we will see about the vote.

Mr. BYRNES. The Senator from Louisiana has the floor.

Mr. LONG. That is all right. I mean to yield to the Senator, so that he may take the floor. I mean to give the floor to the Senator.

Mr. BYRNES. Mr. President, I hope that the motion to suspend the rules for the consideration of the amendment offered by the Senator from Florida [Mr. TRAMMELL] will not be adopted.

Before the appropriation bill was reported to the Senate the President announced that he believed, as a result of the application of the regulation adopted governing service-connected disabilities, that the cut in such cases was too severe, and that he would cause a review to be made of the regulation as to this class and all other classes affected by the regulation.

Two days ago I announced in the Senate that as a result of this review the President had determined that before July 1 a new regulation would be adopted, under which the cut in the compensation of the service-connected disabilities would be approximately 18 to 20 percent below the average compensation for such disabilities under the old law.

While this regulation would provide payments upon a different basis from the old law, the amount of money that the new regulation to be announced by the President would provide for service-connected disabilities is approximately the amount that would be provided by the amendment offered by the Senator from New Mexico [Mr. CUTTING].

Therefore I have no objection to the adoption of the Cutting amendment. I am authorized to state to the Senate that the President, following his announcement of a review of other classes and groups, has determined that the new regulation affecting Spanish-American War veterans will provide that those veterans over 62 years of age shall receive a minimum of \$15. The rate of compensation in the case of the Spanish-American War veterans over 62 and suffering from disabilities has not been definitely determined, but will be determined within a very few days. Nor has there been a definite determination as to the regulation to be adopted

affecting cases presumed to be of service origin or of widows who were affected by the original regulation; but in accordance with the statement issued by the President some days ago, and before this bill was reported to the Senate, consideration is now being given by him to these other groups and to all other classes affected by the regulation with a view of effecting the most humane treatment of veterans.

Mr. President, I believe that the adoption of the motion to suspend the rules would be unwise, because, according to the information I have received, the Trammell amendment would cost approximately \$190,000,000; and I believe that if the President is given an opportunity to proceed to work out in an intelligent and in a humane way the compensation to be paid to the veterans justice will be done. Under the Trammell amendment all manner of cases—misconduct cases and all others—would be restored, and the compensation would be paid, less the 15 percent. In other words, under it there could not be a reduction greater than 15 percent.

I ask that the motion be not adopted.

Mr. BRATTON. Mr. President, I desire to ask the Senator a question.

Mr. BYRNES. I yield to the Senator from New Mexico.

Mr. BRATTON. I am in full sympathy with the amendment my colleague [Mr. CUTTING] intends to offer later, and I shall support it. I do not know whether the distinguished Senator from South Carolina, in charge of the bill, is in position to quote the President, and I do not ask him to do so; but I should like to know whether he thinks adequate provision will be made in the modified regulations to take care of the so-called "presumptive cases."

The Senator is mindful of the fact that there are many presumptive tubercular cases which are easily distinguished from other classes of disability, because of the peculiar characteristics of that disability. Does the Senator believe that adequate provision will be made through the modified regulations to care for the so-called "presumptive tubercular cases" and other presumptive cases?

Mr. BYRNES. Mr. President, as I stated a moment ago, I am not in position to state what amount will be allowed or what is to be done with those cases. I am in position to state that the question as to the presumptive cases and as to the status of the widows who formerly received pensions is now being considered by the President; and while I cannot state what is going to be done, I express my own opinion that they will be handled in a satisfactory way. I am not, however, authorized to make a statement as to what the President intends to do on that question.

I desire to repeat what I stated a few moments ago, that I am in favor of the Cutting amendment, and I do not intend to make a point of order on that amendment provided it is not materially changed hereafter.

Mr. HEBERT. Mr. President—

Mr. BYRNES. I yield to the Senator from Rhode Island.

Mr. HEBERT. The Senator from South Carolina has stated that a minimum allowance will be given Spanish War veterans over the age of 62. Is the Senator in position to tell the Senate what proportion of the men of that service are included within that provision?

Mr. BYRNES. No. That refers to the class of Spanish-American War veterans who, under the old law, automatically receive a pension at the age of 62. As to those cases, under the regulation a minimum of \$15 will be provided; and then if a man over 62 and in that group is disabled the compensation will be higher, the exact amount not having been determined.

Mr. HEBERT. In proportion to disability?

Mr. BYRNES. Yes.

Mr. HEBERT. Another question, Mr. President: I have had numerous complaints from World War veterans about the reduction in their compensation. I had one only yesterday. A man told me he was totally disabled, permanently disabled, and had been given compensation at the rate of \$100 per month, and that compensation was reduced to \$40 a month.

Mr. BYRNES. Under the Cutting amendment, if the disability was of service origin, such cases could not be reduced more than 25 percent; and that, as I say, is the amendment I intend to agree to and vote for.

Mr. HEBERT. So that with the passage of this amendment that particular veteran would have \$75 in the future?

Mr. BYRNES. Seventy-five dollars; that is right.

Mr. HEBERT. I thank the Senator.

Mr. HAYDEN. Mr. President—

Mr. BYRNES. I yield to the Senator from Arizona.

Mr. HAYDEN. I should like to ask one other question with respect to the Spanish-American War veterans. The answers made by the Senator from South Carolina to other Senators are reassuring to me so far as they go; but how about the presumption with respect to Spanish-American War veterans? Does the Senator mean, when he states to the Senate that the entire question of presumption is now being considered by the President, that that includes not only presumption of World War veterans but presumption of Spanish War veterans?

Mr. BYRNES. My understanding as to the question of presumption is that the whole question is to be gone into and is being considered by the President now.

Mr. HAYDEN. I ask that question because, as to Spanish-American War veterans, the difficulty is to obtain proof 30 years after the military service was rendered.

Mr. BYRNES. Absolutely.

Mr. HAYDEN. And the presumption is essential to them.

Mr. BYRNES. The principle must be settled definitely as to all.

Mr. TRAMMELL. Mr. President, before the question is put before the Senate I desire to state that if this motion to suspend the rules prevails, I expect to ask to modify my amendment so as to strike out the maximum of 10 percent reduction and provide that no reduction in excess of 15 percent shall be made. Of course, these figures are largely arbitrary, but I base the 15 percent upon the policy laid down by Congress in dealing with civil employees of the Government, the policy laid down in regard to dealing with a \$10,000 salary, a \$12,000 salary, and a \$15,000 salary.

The Government, through its Congress, has refused to reduce any salaries more than 15 percent. I think that is a righteous position in regard to the smaller salaries, of course. We do not want absolutely to deprive the persons receiving such salaries of sufficient to live upon. When, however, it comes to the question of salaries of \$10,000, we do not leave it to the President to say that he can reduce them over 15 percent, but we say that he must not reduce them more than 15 percent. In other words, in the case of a person who is so fortunate today as to have a salary of \$12,000 per annum, if the President wanted to reduce him 25 percent, we have barred him from doing so by providing by legislation that he shall not reduce the employee below 15 percent. I think the soldiers, the veterans of the country, are entitled to equal consideration and that their compensation or pension should not be reduced in a larger percentage than we authorize the President to reduce the salaries of civilian employees.

Of course, if, when the economy bill was up, we had provided by an amendment that these larger salaries could be reduced 25 percent, then there would be some consistency in refusing to place a limitation upon the reduction of the veterans' compensation above 25 percent. But when Congress has gone on record at this session a number of times in opposition to reducing the salaries of civilian employees in the higher brackets more than 15 percent, even in the case of the person, as I say, who is fortunate enough to have a salary of ten, twelve, or fifteen thousand dollars—and there are several \$10,000 salaries involved in the very bill we are considering; there is one \$18,000 salary involved in this bill, and there are two other \$12,000 salaries—if we say that we are not going to make a reduction of over 15 percent in those salaries and will not allow the President to do it, why do we not amend the law and allow the President to reduce the

salaries of civilian employees without any limitation, or amend it so that he can reduce them 25 percent?

The only group of our people that have been picked out as the targets of this character of policy are our veterans. We propose to allow a reduction in their compensation in excess of what we are willing to permit under legislative enactment. We have tied the hands of the President and said that he could not reduce the salaries of civilian employees exceeding 15 percent; and that applies to the high salary just as it applies to the low salary. Yet the Senator in charge of the bill prefers now an amendment that would permit the President to reduce the compensation of veterans and of pensioners 25 percent.

I am appealing for the same kind of treatment for the veterans of our country that we are according to the civilians of our country. I think the veterans are worthy and deserving of it, and that the Nation can do no less in honor and in tribute to these gallant men who fought for our country than to deal justly by them.

I hope the motion will prevail.

Mr. WALSH. Mr. President, will the Senator yield for a question?

The VICE PRESIDENT. Does the Senator from Florida yield to the Senator from Massachusetts?

Mr. TRAMMELL. I do.

Mr. WALSH. One of the things that trouble me about the Senator's amendment is that it removes any elasticity in the making of rates by the Veterans' Administration in cases where there has been improvement in the physical condition of a veteran. In other words, the flat restriction which the Senator makes in the amendment would prevent the Administrator of Veterans' Affairs from reducing 40 or 50 percent the compensation to a given veteran where medical authorities state there has been an improvement in his condition that justifies it. I ask the Senator whether, in case the rules be suspended by vote of the Senate, the Senator will be willing to modify his amendment so that there would be an opportunity to vest in the Veterans' Administration the power to exercise a little elasticity in adjusting rates?

Mr. TRAMMELL. Mr. President, I appreciate the wisdom of the Senator's suggestion, but I think he is laboring under a misapprehension as to the effect of and the construction which should be given to the amendment which I have proposed. The amendment does not bar a reclassification, it does not bar a review of a case; but it provides that if the administration attempts to review, the burden of proof shall be upon the Government. I think that is a very righteous policy. It is the character of procedure which prevails in all the courts and other tribunals of the country. When a man once establishes his case and somebody wants to disestablish it, the burden of proof is upon the one who complains.

Mr. WALSH. With the permission of the Senator from Florida, I inquire of the junior Senator from Georgia whether he has not been informed, as I understood I was informed, by one of the experts or legal advisers of the Veterans Administration, that this amendment would prevent any elasticity in adjusting rates in the event of improved physical condition on the part of the veteran.

Mr. RUSSELL. Mr. President, I did not inquire of the expert as to that particular point.

Mr. TRAMMELL. Mr. President, I do not care what the expert said. If the expert made that statement, his legal knowledge and his legal interpretation would not go far with me. I have heard a great deal about these legal experts and such people to whom matters are referred. A fourth of the time we find such an expert to be some little incompetent who is called an expert, and Senators come into the Senate and vote his views, when he is no lawyer at all of any consequence, probably some favored pet who has gotten on the pay roll at \$2,000, and has been boosted to seven or eight thousand dollars per year in 2 or 3 months. He knows probably less law than some of the students up in Georgetown University or George Washington University. I do not give much weight to them.

TWO-BY-FOUR RULERS OVER VETERANS

Mr. LONG. Mr. President, I was about to propound a question to the Senator from Florida about these little 2-by-4 experts, if they could be given that dimension. I was going to put a statement in the form of a question to the Senator from Florida, had he not taken his seat, by saying that these 2-by-4 experts, if they could have credit for that dimension, are exercising more power over the veterans than the 96 Members of the United States Senate. How long are we going to sit here and see people turned out of hospitals and starved to death by these little 2-by-4, squint-eyed experts, fumbling around under their desks and issuing pronouncements, and exercising more authority than the 96 Members of the United States Senate? It is one of the most disgraceful things that have ever occurred in the history of our country.

They are brought here from one side of the country to the other, looking for jobs. Some of us may land some one of them a job—no; I will say some of you. I have not landed any. I have not been that lucky. I have tried my hand at it, but I have not succeeded. You land them here in a little office, trying to get them something to eat, and find them up there parceling out rules and regulations—"class Z", "class XY", "subsection 2", "rule AB-1." By the time you get the things in your mind, all they have ever managed to do around here is to confuse matters and do nobody any good. But we allow them to come in and draw as high as \$10,000 a year, when, even if they would take the gum out of their mouths, they could not be sold into slavery for \$500. Half of them could not be sold into slavery for their lifetime for \$500. [Laughter.] Then they get a piece of confidential information and get a radio contract at a thousand dollars a week to let the public in on the inside of what is going to happen next week or tomorrow morning.

Mr. President, that is the kind of messing we are doing around here. Instead of being men, standing up on 2 legs and 2 feet, and running this Government for the people of the United States, we are authorizing some little 2-by-4, two-bit job-hunting politician to prescribe limits and rules under which he will work, and then he goes off and does what he pleases. That is the trouble with the whole "plague-take-it" outfit, and that is the reason why the veterans are in the fix in which they find themselves today. I favor suspending the rule.

Mr. GOLDSBOROUGH. Mr. President, I should like to ask the Senator from New Mexico a question. There is a very small group of soldiers who are totally blind, who sustained their injuries in combat, who, under the regulations as now promulgated, following the Economy Act, are cut 12½ percent. Would the amendment of the Senator from New Mexico cut such men 25 percent?

Mr. CUTTING. Oh, no, Mr. President; the Senator is in error if he thinks that. My amendment contemplates a limit of 25-percent reduction over what the veterans were getting under the old regulations. It does not mean that anybody needs to be cut at all. It merely fixes a limit of 25 percent beyond which the President cannot go.

Mr. GOLDSBOROUGH. It fixes a maximum to which the President may go?

Mr. CUTTING. That is it. Under the present regulations, as they have been issued, in many cases the totally blind veteran may have been cut 75 or 80 percent. I do not know of any particular case, though I have heard of cases where they have been cut that far.

Mr. GOLDSBOROUGH. I might say to the Senator that I know of one case where a totally blind soldier, who also lost his leg, has actually been cut 55 or 60 percent; I do not know whether it was quite as much as 75 percent or not.

Mr. CUTTING. I mentioned the fact yesterday that Mr. Douglas, the Director of the Budget, in testifying before the Committee on Finance, said he thought those veterans ought to get \$275 a month. That is more than they are getting at the present time.

Mr. GOLDSBOROUGH. I am very much obliged to the Senator.

The VICE PRESIDENT. The question is on the motion of the Senator from Florida [Mr. TRAMMELL] to suspend the rules.

Mr. TRAMMELL. I ask for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. BAILEY (when his name was called). I have a general pair with the senior Senator from Delaware [Mr. HASTINGS]. Not knowing how he would vote, I withhold my vote.

Mr. LOGAN (when his name was called). I have a general pair with the junior Senator from Pennsylvania [Mr. DAVIS]. I do not know how he would vote if present. I therefore withhold my vote.

Mr. McADOO (when his name was called). I have a general pair with the senior Senator from Vermont [Mr. DALE]. I do not know how he would vote, and I therefore withhold my vote.

The roll call was concluded.

Mr. LEWIS. I desire to announce the absence of the senior Senator from Nevada [Mr. PITTMAN] on international matters for the Government, and the absence of the senior Senator from South Carolina [Mr. SMITH] on official business.

I also desire to announce that the Senator from Washington [Mr. DILL], the Senator from Iowa [Mr. MURPHY], the Senator from Colorado [Mr. ADAMS], and the Senator from Alabama [Mr. BANKHEAD] are absent on official business.

Mr. BARKLEY. Mr. President, on this vote I have a pair with the senior Senator from Wisconsin [Mr. LA FOLLETTE], who is absent. If he were present, he would vote "yea." If permitted to vote, I would vote "nay."

Mr. HEBERT. I desire to announce that the senior Senator from Delaware [Mr. HASTINGS] has a pair with the senior Senator from North Carolina [Mr. BAILEY].

I am informed that if the Senator from Delaware were present, on this vote he would vote "yea."

I also desire to announce that the Senator from South Dakota [Mr. NORBECK] is necessarily absent. If present, he would vote "yea."

Mr. FRAZIER. I wish to announce that my colleague [Mr. NYE] is absent on official business. If he were present, he would vote "yea."

Mr. BAILEY. Mr. President, it having been announced that the Senator from Delaware, if present and voting, would vote "yea", I wish to say that if I were permitted to vote I would vote "nay."

The result was—yeas 59, nays 21, as follows:

YEAS—59

Ashurst	Cutting	Loneragan	Russell
Austin	Dickinson	Long	Schall
Bachman	Duffy	McCarran	Shipstead
Barbour	Erickson	McGill	Steiwer
Black	Fletcher	McKellar	Stephens
Bone	Frazier	McNary	Thomas, Utah
Borah	George	Metcalf	Townsend
Bulkeley	Goldsborough	Neely	Trammell
Capper	Gore	Norris	Vandenberg
Caraway	Hale	Overton	Van Nuys
Carey	Hatfield	Patterson	Walcott
Connally	Hebert	Pope	Walsh
Copeland	Johnson	Reed	Wheeler
Costigan	Kean	Reynolds	White
Couzens	Keyes	Robinson, Ind.	

NAYS—21

Bratton	Coolidge	Kendrick	Thompson
Brown	Dieterich	King	Tydings
Bulow	Fess	Lewis	Wagner
Byrd	Glass	Robinson, Ark.	
Byrnes	Harrison	Sheppard	
Clark	Hayden	Thomas, Okla.	

NOT VOTING—16

Adams	Dale	La Follette	Norbeck
Bailey	Davis	Logan	Nye
Bankhead	Dill	McAdoo	Pittman
Barkley	Hastings	Murphy	Smith

The VICE PRESIDENT. Two thirds of the Senators present having voted in the affirmative, the rule is suspended, and the amendment of the Senator from Florida [Mr. TRAMMELL] is declared to be in order. The question is on the amendment offered by the Senator from Florida.

Mr. TRAMMELL. Mr. President, I wish to suggest a modification of the amendment.

The VICE PRESIDENT. The Senator from Florida modifies his amendment. The clerk will state the amendment as modified.

Mr. TRAMMELL. I have sent to the desk the modification and ask that the clerk may report the amendment as modified.

The VICE PRESIDENT. The clerk advises the Chair that he has the amendment as modified.

The LEGISLATIVE CLERK. The amendment, as modified, is as follows:

On page 61, between lines 6 and 7, add a new section, as follows:

"That title I of Public, No. 2, is hereby amended by adding thereto the following:

"Sec. 21. That regardless of any provisions embraced in title I of an act to maintain the credit of the United States Government, being Public, No. 2, Seventy-third Congress, the compensation or the pension of those veterans who on March 20, 1933, were drawing compensation or pension or may hereafter be granted compensation or pension on account of service-connected disability, shall not be reduced more than 15 percent below the compensation or pension to which they were entitled on March 20, 1933. In any review of a veteran's case by the Veterans' Administration with a view to reducing the rating of or change the cause of his disability the burden of proof shall rest upon the Government."

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Florida, as modified.

Mr. ROBINSON of Arkansas. Mr. President, unless the Senator from New Mexico [Mr. CUTTING] chooses to offer the amendment himself, I shall propose an amendment to the amendment, as follows: On line 8, to strike out "15" and insert "25."

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Arkansas to the amendment of the Senator from Florida.

Mr. NORRIS and Mr. LONG addressed the Chair.

The VICE PRESIDENT. Does the Senator from Arkansas yield; and if so, to whom?

Mr. ROBINSON of Arkansas. I yield to the Senator from Nebraska.

Mr. NORRIS. Mr. President, I want to call attention to what seems to me to be an error in the amendment of the Senator from Florida. As I understand the reading by the clerk of the amendment, as modified, it provides that the limitation on the reduction shall apply as to any soldier who on a certain date was on the rolls, and shall also apply as to any soldier who hereafter shall be placed on the rolls. That leaves a gap between the date named in the amendment and the present time to which the amendment would not apply. There probably are a good many who between the date named and the present date have been placed on the rolls. Their compensation could be reduced, regardless of this amendment, if I understand the reading of the amendment correctly. I may be wrong; I have not examined the amendment but merely heard it read.

Mr. TRAMMELL. Mr. President, I do not know but that the amendment is probably subject to that criticism.

Mr. NORRIS. If I may have the copy of the amendment, I will read it.

The amendment reads as follows:

That regardless of any provisions embraced in title I of an act to maintain the credit of the United States Government, being Public, No. 2, Seventy-third Congress, the compensation of those veterans who on March 20, 1933, were drawing compensation or pension or may hereafter be granted compensation or pension—

That would leave those veterans between this date and March 20, 1933, outside the provisions of the amendment. It seems to me that is plain, and I want to suggest to the Senator from Florida further to modify the amendment so as to read:

Or may after said date be granted compensation or pension.

Mr. TRAMMELL. How would the amendment then read?

Mr. NORRIS. The amendment now reads "hereafter." That means after the passage of this act.

Mr. TRAMMELL. I realize that there is a little period which the language of the amendment would not cover.

I desire that it shall be covered. What is the suggestion of the Senator from Nebraska in regard to that? What does the Senator suggest?

Mr. NORRIS. I suggest that, instead of "hereafter", the Senator use the words "or may after said date be granted compensation or pension."

Mr. TRAMMELL. I am agreeable to the suggestion made by the Senator from Nebraska. I think that it is a very desirable correction to be made.

The VICE PRESIDENT. The Senator from Florida further modifies his amendment. The question now is on agreeing to the amendment offered by the Senator from Arkansas [Mr. ROBINSON] to the amendment of the Senator from Florida [Mr. TRAMMELL], as modified.

Mr. STEIWER. Mr. President, before the amendment to the amendment shall be voted on I should like to direct attention to the feature of this amendment which I think is fundamentally important, and I especially should like the attention of the Senator from Florida with respect to it. Both the amendment which he had printed and the amendment which I understand he now offers as a modification commences with the language:

That regardless of any provisions embraced in title I of an act to maintain the credit of the United States Government, being Public, No. 2—

And so forth.

This amendment is offered as an amendment to Public Law No. 2. It could very well provide, "That nothing contained in this act shall have a certain effect." It strikes me that it is a little awkward, and it may be hurtful, to word the amendment as it is presently phrased. Would not the Senator look with favor on a proposal to simplify the language so as to take away the incongruity of referring in the amended act to the act itself?

Mr. TRAMMELL. Mr. President, I am rather of the impression that the way the amendment is drawn is better. As it is now drawn there is nothing that is offensive, and it will, I think, accomplish the purpose. Of course, it is merely a matter of the selection of phraseology. Some people would like to amend the Lord's Prayer.

Mr. STEIWER. The Senator realizes that I am trying to be helpful.

I think there is another thing the Senator from Florida and all of us should consider with respect to this matter. The Economy Act, so called, in section 17, contained a limitation provision which was known at the time the matter was under debate as the "Walsh amendment" and which provides as follows:

The provisions of this title shall not apply to the compensation or pension (except as to rates, time of entry into active service, and special statutory allowances), being paid to veterans disabled, or dependents of veterans who died, as the result of disease or injury directly connected with active military or naval service—

And so forth.

That will still be in the law.

Mr. ROBINSON of Arkansas. Will the Senator yield to me?

Mr. STEIWER. Yes; I yield if I have the floor.

Mr. ROBINSON of Arkansas. In place of the amendment which I offered a few moments ago it is my purpose to offer a substitute for the amendment offered by the Senator from Florida, which substitute, I think, will meet the criticism which the Senator from Oregon is now making. The language I shall propose as a substitute is the language of the so-called "Cutting amendment", the Senator from New Mexico having indicated his intention not to offer the amendment. I ask, with the permission of the Senator from Oregon, that the amendment in the nature of a substitute may be read at the desk.

Mr. TRAMMELL. I shall be glad to have it read.

The VICE PRESIDENT. Without objection, the clerk will report the amendment in the nature of a substitute proposed by the Senator from Arkansas.

The Chief Clerk read as follows:

Section 17 of title I of the act approved March 20, 1933, entitled "An act to maintain the credit of the United States Gov-

ernment", is amended by adding at the end of the section the following:

"Nothing in this act shall authorize the President to reduce to a degree greater than 25 percent the compensation, pension, or allowance of any veteran or dependent of a veteran whose disability has hitherto been traced officially to direct connection with military or naval service (otherwise than by benefit of presumption)."

Mr. CONNALLY. Mr. President—

The VICE PRESIDENT. Does the Senator from Oregon yield to the Senator from Texas?

Mr. STEIWER. I desire to make some observations about the proposal last submitted, but I shall be glad to yield to the Senator.

Mr. CONNALLY. I should like to suggest to the Senator from Arkansas that, while I agree with his amendment as far as it goes, it will not take care of Spanish-American War veterans at all, because the service connection in those cases cannot be established, as is admitted by all. If the Senator from Arkansas would also provide something like the following to be added at the end of his amendment, I think it would be unanimously agreed to:

Pensions of veterans of any war prior to the World War shall not be reduced more than 25 percent of the rate being received on March 15.

That would conform to his idea as to World War veterans and would make the same rule applicable to Spanish-American War veterans.

Mr. ROBINSON of Arkansas. Mr. President, the objection to that suggestion is that it would apply to non-service-connected disability cases as well as to service-connected disability cases.

Mr. CONNALLY. The point is, if the Senator will permit me further, with the indulgence of the Senator from Oregon, that under the old law there was not that distinction between service-connected and non-service-connected cases; and the act granting—

Mr. CLARK. Mr. President, will the Senator yield?

Mr. CONNALLY. I will yield in just a moment. The act granting Spanish-American War veterans pensions was based not upon service-connected disability but actual physical disability, and there was no necessity for those veterans proving service connection. Consequently they did not prove it; and now it is too late; they cannot prove it; and the operation of the present regulations, according to the Veterans' Administration, will be that more than half of all the Spanish-American War veterans will be cut entirely off without any pension whatever, they having been recognized for years as pensioners.

Mr. CLARK. Mr. President—

The VICE PRESIDENT. Does the Senator from Oregon yield to the Senator from Missouri?

Mr. STEIWER. I yield.

Mr. CLARK. There is no way for the Spanish War veterans to prove their service-connected disability for the reason that records were not kept during the Spanish-American War in the way they were kept during the World War.

Mr. DILL. Mr. President, it is for that reason that I have an amendment pending providing that veterans of the Spanish-American War past 62 years of age shall be presumed to be properly on the roll.

Mr. STEIWER. Mr. President, I believe I have the floor?

The VICE PRESIDENT. The Senator from Oregon has the floor.

Mr. STEIWER. The proposal which the Senator from Arkansas has just offered is also subject to certain objections which he probably has not had opportunity fully to consider. One objection is in case a veteran shows marked improvement he could not be rerated and his pension could not be cut even though he would effect complete recovery. Another is that there will be no opportunity for the Government to protect itself against the so-called "fraud cases."

Another possible objection relates to the form in which it is stated at the end of section 17. I am not sure that I am correct in this, but it occurs to me that there is some conflict between the proposal made and the language contained in the Walsh amendment. I observe the Senator

from Massachusetts [Mr. WALSH] is here, and I am wondering if he does not agree with me that if an adequate and proper proposal were agreed to in the Senate which would protect the service-connected cases his amendment might well be removed from the act, and that the proper way to make the amendment, in order to avoid conflict and confusion, is to strike from section 17 the language of the amendment secured by the Senator from Massachusetts to that act and to substitute for it language that will effectually carry out the purpose which the Senator from Massachusetts had at the time he offered his amendment. I am not speaking of either the 15-percent or 25-percent proposal. I hope the Senator from Arkansas will withhold his suggestion until we can agree on the structure of the amendment itself.

Mr. WALSH. Mr. President, if the Senator from Oregon will yield—

Mr. STEIWER. Certainly.

Mr. WALSH. I think my amendment that is now in the law should be further amended so as to take care of the cases that the Senator from Florida [Mr. TRAMMELL] and the Senator from Arkansas [Mr. ROBINSON] desire to take care of.

May I add to what the Senator has already said that the amendments are drawn so broadly that they would violate the provisions of the Presidential regulations—which we all agree should not be done—in two particulars in addition to what he has already mentioned, namely, veterans who are members of veterans' administrative facilities. There is a provision that when a veteran goes to a hospital his compensation will be suspended, and he will get only \$15 if single; and if he is married, then his family will get the balance. Nobody wants to bring that back. Everybody agrees that regulation is correct.

A further regulation that would be interfered with by the other amendment is one providing that those who live outside of the continental limits of the United States under these regulations will be cut 50 percent. I think most would agree that that is reasonable in any case.

Mr. STEIWER. I have that in mind.

Mr. WALSH. Though most of us do not feel they are in condition to require any correction of the regulations, both those classes would be given the benefits of these amendments. If opportunity presents itself, I would offer an amendment to my amendment which would take care of that particular class of veterans we all are desirous of taking care of, and yet not permit the elasticity in which the Veterans' Administration has indulged in rerating the entire number of service-connected veterans.

Mr. STEIWER. Let me advise the Senator of a step I have taken with respect to the matter, with the knowledge that the amendment offered by the Senator from New Mexico [Mr. CURTING] and other amendments offered here do not deal with all of the incidents or detailed matters that are involved. I asked the legislative counsel to prepare a form of substitute amendment, and in their preparation of it they consulted the Veterans' Administration, I am told. I personally did not do so. They have prepared a form of substitute which would permit the regulations now made by the President to remain in force and effect so far as the veterans outside of the United States are concerned and to remain in effect so far as those enjoying hospitalization are concerned. I should like to send this proposed substitute to the desk and have it read for the information of the Senate.

The PRESIDING OFFICER (Mr. CLARK in the chair). Without objection, the clerk will read, as requested.

The Chief Clerk read as follows:

On page 1, strike out lines 1 to 12, both inclusive, and insert in lieu thereof the following:

"The second paragraph of section 17 of title I of the act entitled 'An act to maintain the credit of the United States Government,' approved March 20, 1933, is amended to read as follows:

"Nothing in this title shall authorize the President to reduce by more than 15 percent the rates of compensation, pension, or emergency officers' retired pay heretofore authorized for death or disability resulting from disease or injury connected with military or naval service, either directly or by statutory or regulatory presumption of service connection, by any law in effect on the date of

enactment of this act; except that the provisions of this paragraph shall not apply with respect to veterans residing outside the limits of the continental United States or with respect to any veteran who is being furnished hospital treatment, institutional, or domiciliary care by the United States, or any political subdivision thereof, if such veteran has neither wife, child, nor dependent mother or father."

Mr. ROBINSON of Arkansas rose.

Mr. STEIWER. Mr. President, before the Senator from Arkansas cross-examines me with respect to the matter, let me make a brief further statement regarding it. It does not attempt to change the basic principle of the amendment offered by the Senator from Florida [Mr. TRAMMELL]. It provides a limitation of 15 percent in cut of service-connected pension, compensation, and retirement fee; unlimited, however, with respect to the method by which they have been connected. That is to say, it gives the same protection to those compensations and pensions that have been service connected by presumption as it does to those who have been directly connected by proof. It is noticed that the proposal would strike from Public, No. 2 the amendment known as the "Walsh amendment", and would replace it with this language, which I think would carry into the law every purpose of the Senator from Florida, but it would enable the Veterans' Administration to rerate cases where there have been recoveries, it would enable them to remove fraud cases, it would enable them to maintain present regulations with respect to veterans outside of the United States, and to maintain the proposed regulations in respect to those men who are enjoying or receiving hospitalization. Of course it does not deal with the question of percentage, as suggested by the Senator from Arkansas.

I have some doubt whether it is in order, so I am wondering whether the Senator from Arkansas will not withdraw his proposal and let me offer this one so he may then offer his amendment with respect to the question of percentage.

Mr. ROBINSON of Arkansas. Mr. President, the difficulty of writing a complex bill on the floor of the Senate is well exemplified in connection with the amendments proposed to the independent offices appropriation bill, particularly those relating to veterans' allowances. It is almost impossible to work out changes in the law that will be effective and satisfactory. I wish to make clear the position which I occupy on this subject.

It is fully realized that the announcements which have been made touching some of the rules and regulations that have been framed for the enforcement of the so-called "Economy Act" and their application to particular cases have created a somewhat stormy reaction in both Houses of the Congress. Let me say in all fairness that it could not have been reasonably expected that a subject matter of so great importance, one which discontinues or contemplates the discontinuance of allowances in the aggregate amount made possible by the Economy Act, could be accomplished without some instances of injustice, without mistakes, and without necessity for corrections.

The President has no purpose to commit himself or his administration to any rules or regulations that work injustices to beneficiaries of veterans' allowances. On the contrary, it is his desire to make such readjustments as will eliminate frauds, as will protect the Treasury of the United States against expenditures that are not just, as will safeguard fairly the rights and interests of the veterans.

We might well have foreseen that the matter could not be worked out to the satisfaction of everyone. We might not, however, readily have anticipated that the cases of hardship which have been described on the floors of the two Houses would have arisen. We should have known, in our anxiety to accomplish the general purpose of economy by limiting veteran allowances to just and necessary cases, that complaints inevitably would follow, and that readjustments would become essential.

My view is that the President should be given the opportunity to work out the difficulties that have arisen; that the Senate should not undertake, in the consideration of an

appropriation bill, to rewrite veteran legislation; and if it does so there probably will result mistakes which will call for correction hereafter.

Probably no plan that we can adopt will prevent the possibility of injustice in some cases, either to the Government itself or to the veterans who are to receive benefits under the legislation.

The adoption of the Trammell amendment is in large measure a repeal of the Economy Act. The eagerness demonstrated in the Senate in the matter not only illustrates and emphasizes a desire to correct mistakes and errors that have been made, but it also exemplifies the correctness of the position taken, that it is very difficult—in fact, next to impossible—for the Congress to work out these details in legislation without reference to the action of a committee.

I know perfectly well the sentiment that prevails here. I know the forces that are driving to what may prove to be mistakes, to what may result in the final defeat of the independent offices appropriation bill; but I am taking my measure of responsibility now by proposing that instead of a 15-percent maximum limitation on the amount of reduction that may be made we agree to a 25-percent reduction.

There are many cases in which a maximum reduction of 25 percent may be applied without unfairness and without injustice; and I believe every Senator here knows that there is no sound basis for any arbitrary percentage. If we are to adopt an arbitrary percentage limiting the reductions we must adopt such a percentage as will permit a fair readjustment in a large number of cases. In my opinion, the 15-percent limitation will not accomplish that result. It will occasion such expense to the Government that it will operate in a practical sense as a repeal of the provisions of the Economy Act having relation to veteran compensation.

Mr. FESS. Mr. President—

Mr. ROBINSON of Arkansas. I yield to the Senator from Ohio.

Mr. FESS. Without taking the time of the Senate, I should like to state that the Senator from Arkansas has expressed my conviction on this particular legislation. I should like to see some of these errors corrected; but I should not want to vote, nor shall I vote, for any amendment that virtually repeals the Economy Act. I should be glad to accept the amendment the Senator from Arkansas is proposing.

Mr. ROBINSON of Arkansas. I thank the Senator from Ohio for his interruption and statement. I do not know how the Senator from Florida [Mr. TRAMMELL] considered this matter. I know that he has given thought to the subject. Others have done so, and the arrangement which will be effected by the legislation we shall probably pass here will in itself cause some measure of difficulty in its application; but in our anxiety to respond to the pressure, which admittedly is very great, which comes from powerful organizations as well as from individuals with whom we are in sympathy, let me suggest that we do not undo all that has been done in an effort to readjust veteran expenditures so as to be fair to the veterans and to the Treasury and the taxpayers of the United States.

I know it is easily said that nothing the Congress can do is too liberal for the men who sustained our cause when civilization hung trembling in the balance. By describing their sufferings and their sorrows, one can stimulate and quicken a sense of sympathy in connection with their appeals. I wish to avow myself as fairly and fully responsive to proposals that are just and fair; but I think a maximum limitation of 15 percent will make the Economy Act, insofar as it relates to veteran compensation, largely ineffective. I believe that a 25-percent maximum is a fair compromise. Evidently the Senator from New Mexico [Mr. CUTTING] thought that. I am willing, in compliance with the suggestion of the Senator from Oregon [Mr. McNARY], to have a vote on the insertion of 25 percent instead of 15.

Mr. VANDENBERG. Mr. President, may I ask the Senator a question?

Mr. ROBINSON of Arkansas. I yield to the Senator from Michigan.

Mr. VANDENBERG. Do I understand that the Senator's pending amendment has no relationship whatever to Spanish War claims? Is it confined exclusively to World War claims?

Mr. ROBINSON of Arkansas. Yes; that is my understanding.

Mr. VANDENBERG. Would the Senator reject the suggestion submitted by the Senator from Texas [Mr. CONNALLY], if we could agree upon the 25-percent limitation, to extend it also into the Spanish-American field?

Mr. ROBINSON of Arkansas. Mr. President, I think there is much force in the suggestion made by the Senator from Oregon and by the Senator from Texas, but it occurred to me that perhaps that could be disposed of in a separate amendment.

Mr. VANDENBERG. I think perhaps we could rather readily agree upon the formula if the two could be put together.

Mr. LONG. Mr. President, will the Senator yield?

Mr. ROBINSON of Arkansas. Certainly.

Mr. LONG. I think there is a separate amendment coming on the Spanish-American War veterans anyway.

Mr. ROBINSON of Arkansas. I believe it would be better to deal with the Spanish-War veterans separately, although it might require more time to do that; and I am anxious to conserve time, as is also the Senator from Oregon [Mr. McNARY].

Mr. President, believing that 25 percent is a fair compromise, I ask the Senator from Florida [Mr. TRAMMELL] and the Senator from Oregon [Mr. McNARY] if they do not feel that they are in a position to accept that suggestion?

Mr. TRAMMELL. Mr. President—

The PRESIDING OFFICER. Does the Senator from Arkansas yield to the Senator from Florida?

Mr. ROBINSON of Arkansas. I yield to the Senator.

Mr. TRAMMELL. Of course, I appreciate the position of the Senator from Arkansas, and the sincerity of his desire in this matter; but I have been fighting for a provision that the reduction should not be in excess of 15 percent. I have given my reasons for that. My amendment does not interfere with reclassification. If the condition of the veteran has changed, the officials have a right to reclassify him. That within itself might bring down the compensation more than 15 percent; but I do provide in my amendment that the burden of proof shall be upon the Government when it attacks a man's claim which has previously been approved by the Board. I think we ought to limit the reduction to 15 percent.

I cannot agree with the Senator from Arkansas that that is destructive of the Economy Act. There are many other provisions of that act. The amendment gives them a good deal of latitude. I do not believe that the compensation ought to be reduced over 15 percent, so I do not like to vote to reduce it more than that.

I am sorry I do not feel that I could agree to that for the purpose of having a vote on it in the Senate.

Mr. CUTTING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Arkansas yield to the Senator from New Mexico?

Mr. ROBINSON of Arkansas. I yield to the Senator from New Mexico.

Mr. CUTTING. In view of the fact that the Senator from Arkansas has made the statement that I must have thought that 25 percent was a fair reduction or I would not have put that in my amendment, I think, perhaps, he will pardon me if I express, as briefly as possible, my exact purpose in offering that amendment.

As the Senator from Arkansas will realize, legislation is a matter of compromise between varying views. I offered that amendment hastily the other day in order to serve notice, in accordance with the rules of the Senate, that I was going to make a motion to suspend the rules. I offered it after hurried consultation with the Senator from Missouri [Mr. CLARK], who now occupies the chair. I thought probably

that was the maximum that the Senate would agree to accept. I did not think that the limitation of 25 percent was a fair limitation. I much prefer the limitation of 15 percent. I should much prefer, Mr. President, no reduction at all. I am one of the people who do not believe that there was a single fair line in the so-called "Economy Act." I believe it was the most infamous act ever passed by the Congress of the United States. I believe it ought to be repealed from top to bottom. When I offered the amendment, however, I was merely trying to get what I thought the Congress would be willing to accept; and I do not wish to be quoted as stating or implying that that was a fair measure of justice to the disabled veterans.

Mr. ROBINSON of Arkansas. Mr. President, I have not tried to analyze the mental processes of the Senator from New Mexico. As stated a few moments ago, I did assume that he thought 25 percent was a fair compromise, or he would not have committed himself to it by offering it. It is rather an anomalous situation that the Senator so completely repudiates his own proposal; but that is a matter that addresses itself to his own discretion. It seems to me that 25-percent maximum is a fair compromise; but I assume from what has been said that it will be necessary to take a vote on the matter.

Mr. LEWIS. Mr. President, will the Senator from Arkansas yield to me?

The PRESIDING OFFICER. Does the Senator from Arkansas yield to the Senator from Illinois?

Mr. ROBINSON of Arkansas. Certainly.

Mr. LEWIS. Mr. President, I wish to attract the attention of the Senator from Michigan [Mr. VANDENBERG] and the Senator from Arkansas [Mr. ROBINSON] in view of the colloquy between them respecting the omission of the Spanish-American War soldier. The eminent Senator from Arkansas correctly ascribes what might result from that, namely, that it might produce a class of claims where there was not an immediate connection between the illness and the service, known as the "service-connected disability".

I take the liberty of calling to the attention of both Senators to whom I refer the fact that as to the Spanish-American veterans we take into consideration the fact that the service of the soldiers was in the Tropics. The very service itself was disease. When the soldiers returned, it took a year before that disease took on a form which made them utterly incapable of self-support. Therefore, they cannot come within the law which applies to World War soldiers, and there was no law at the time existing such as we have now, and since eminent Senators have no desire to omit them, but, on the contrary, desire to include them, might we not now call attention to the fact that the connected liability of the service which applies to the World War cannot make its application to the Spanish-American War veteran, but that he ought to be included in the pending amendment, upon the theory that his service itself, in the land where it was given, with the natural result that would follow from it, makes the liability connection?

Mr. VANDENBERG. Mr. President, if the Senator will permit me, that was precisely my idea. I entirely agree with the Senator, and my only thought was that perhaps we could combine all forces and put the 25-percent limitation in, and vote upon one motion, both upon the theory of the Senator from Arkansas and the theory of the Senator from Illinois, to which I heartily subscribe.

Mr. LEWIS. I was calling the attention of the Senator from Arkansas to the fact—knowing how pressed he was—that he probably had not had his attention called to why the Spanish-American War veteran could be included here without a violation of the general law.

Mr. ROBINSON of Arkansas. Mr. President, of course the Spanish-American War pensions are on a different basis from those of the World War veterans, and, in my opinion, it would be quite difficult to incorporate in the bill on the floor a provision which would be satisfactory in regard to the Spanish War veterans. I will move an amendment to the text of the Trammell amendment.

The PRESIDING OFFICER. The Senator has already offered one amendment. Does he withdraw that?

Mr. ROBINSON of Arkansas. I do not now propose the substitute. I offer now the original amendment I proposed: On line 8, to strike out "15" and to insert "25."

The PRESIDING OFFICER. The Senator from Arkansas offers an amendment, which the clerk will report.

Mr. DILL. Mr. President, of course it is not in order to amend the Senator's substitute, because that would be an amendment in the third degree, unless the Senator would modify his amendment to include my amendment, which would take care of the veterans past the age of 62, which amendment I had printed and offered. I may say to the Senator that I want to modify my own amendment to include the regulation, which I think is entirely proper, namely, that this shall not apply when any veteran gets a thousand dollars if he is a single man, or \$2,500 if he is married or has dependents.

Mr. STEIWER. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. STEIWER. Am I not right in my understanding that the Senator from Arkansas did not offer his substitute, but merely offered an amendment to the amendment proposed by the Senator from Florida?

Mr. ROBINSON of Arkansas. That is correct.

The PRESIDING OFFICER. As the Chair understands the matter, the Senator from Arkansas had his substitute read for the information of the Senate, and has not yet offered the substitute.

Mr. ROBINSON of Arkansas. I may offer it later. If I may have the opportunity, while the Senate proceeds with its discussion of the matter, to consider the amendment of the Senator from Washington [Mr. DILL] having relationship to Spanish War veterans, I may revise the substitute so as to include that amendment, in compliance with suggestions which have been made. I yield the floor for the present.

Mr. TRAMMELL. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. TRAMMELL. The question now is on the amendment which I proposed, providing for a reduction not to exceed 15 percent. The Senator from Arkansas proposes to increase that figure and make it 25 percent, so that it would be 25 percent instead of 15 percent?

The PRESIDING OFFICER. The amendment of the Senator from Arkansas is to strike out the numeral "15" and insert in lieu thereof the numeral "25."

Mr. LONG. Mr. President, inasmuch as considerably more than two thirds of the Senate has already voted to suspend the rules to vote on the 15-percent reduction, I hope there will be no change in this amendment. I would feel better if we reduced salaries 25 percent and the compensation of wounded soldiers 15 percent than to reduce salaries of \$10,000 employees only 15 percent and reduce the soldiers' compensation 25 percent. I ask for the yeas and nays on this.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arkansas [Mr. ROBINSON] to the amendment of the Senator from Florida [Mr. TRAMMELL]. The yeas and nays have been demanded. Is the demand sufficiently seconded?

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. McADOO (when his name was called). I have a general pair with the senior Senator from Vermont [Mr. DALE], who is not present. I do not know how that Senator would vote, and I therefore withhold my vote. If I could vote, I should vote "yea."

Mr. PATTERSON (when his name was called). I have a general pair with the junior Senator from New York [Mr. WAGNER]. I understand that if he were present he would vote "yea." If I felt free to vote, I should vote "nay."

Mr. LEWIS (when Mr. SMITH's name was called). I announce the absence of the senior Senator from South Caro-

lina [Mr. SMITH] on official business, and ask that this announcement stand for the day.

The roll call was concluded.

Mr. HEBERT. I desire to announce a general pair between the Senator from Delaware [Mr. HASTINGS] and the Senator from North Carolina [Mr. BAILEY]. I am informed that if the Senator from Delaware were present he would vote "nay" on this question.

I also desire to announce that the Senator from South Dakota [Mr. NORBECK] is necessarily absent. If present, he would vote "nay."

Mr. LEWIS. I desire to announce that the senior Senator from Utah [Mr. KING] is absent attending a committee meeting. If present, he would vote "yea."

I also desire to announce that the Senator from Kentucky [Mr. LOGAN] has a general pair with the Senator from Pennsylvania [Mr. DAVIS].

I wish to announce the absence on official business of the following Senators: Mr. ASHURST, Mr. BULOW, Mrs. CARAWAY, Mr. GEORGE, Mr. GORE, Mr. HARRISON, Mr. FITTMAN, Mr. WAGNER, and Mr. THOMAS of Oklahoma.

Mr. BAILEY. Mr. President, I have not voted because I have a pair with the Senator from Delaware [Mr. HASTINGS]. I am informed that it has been announced that if present the Senator from Delaware would vote "nay" on this question. If I were permitted to vote, I should vote "yea."

The result was announced—yeas 25, nays 51, as follows:

YEAS—25

Adams	Connally	Glass	Stephens
Bankhead	Coolidge	Hayden	Thompson
Barkley	Dickinson	Kendrick	Tydings
Bratton	Dieterich	Lewis	Walsh
Brown	Dill	McNary	
Byrd	Fess	Robinson, Ark.	
Byrnes	Fletcher	Sheppard	

NAYS—51

Austin	Duffy	McCarran	Russell
Bachman	Erickson	McGill	Schall
Barbour	Frazier	McKellar	Shipstead
Black	Goldsborough	Metcalf	Steiwer
Bone	Hale	Murphy	Thomas, Utah
Borah	Hatfield	Neely	Townsend
Bulkley	Hebert	Norris	Trammell
Capper	Johnson	Nye	Vandenberg
Carey	Kean	Overton	Van Nuys
Clark	Keyes	Pope	Walcott
Copeland	La Follette	Reed	Wheeler
Costigan	Loneragan	Reynolds	White
Cutting	Long	Robinson, Ind.	

NOT VOTING—20

Ashurst	Dale	Hastings	Patterson
Bailey	Davis	King	Pittman
Bulow	George	Logan	Smith
Caraway	Gore	McAdoo	Thomas, Okla.
Couzens	Harrison	Norbeck	Wagner

So the amendment of Mr. ROBINSON of Arkansas to Mr. TRAMMELL's amendment was rejected.

Mr. CONNALLY. Mr. President, I offer an amendment in the nature of a substitute for the amendment of the Senator from Florida.

The PRESIDING OFFICER. The Senator from Texas offers an amendment in the nature of a substitute for the amendment of the Senator from Florida, which the clerk will report.

The CHIEF CLERK. In lieu of the amendment of the Senator from Florida [Mr. TRAMMELL] it is proposed to insert the following:

Notwithstanding any of the provisions of the act approved March 20, 1933, entitled "An act to maintain the credit of the United States Government," in no event shall World War service-connected disability compensation of any veteran or the pension of any veteran of a war prior to the World War be reduced more than 25 percent of the rate being received prior to March 15, 1933, subject to regulations as to payments to unmarried persons with incomes exceeding \$1,000 or to married persons or to persons with minor children whose annual income exceeds \$2,500.

Mr. LONG. Mr. President, this amendment, as I understand, purports to do what the Senator from Arkansas sought to do by his amendment in the case of all veterans, except those of the Spanish-American War, and to limit the reduction that may be made to 25 percent. If I understand correctly, what the Senator is proposing to do is to provide

a substitute that would prohibit a reduction of more than 25 percent being made in the case of all veterans?

Mr. CONNALLY. For service-connected disabilities.

Mr. LONG. For service-connected disabilities.

Mr. President, we have, apparently, by an overwhelming vote, reached the conclusion that we will not permit a reduction below 15 percent in World War veterans' compensation, and we expect that an amendment will be offered providing the same thing for the veterans of the Spanish-American War.

Mr. CONNALLY. That is in the amendment I have offered.

Mr. LONG. I know; but we do not want to vote to permit a reduction of 25 percent. I think we would be in sympathy with the Senator if he would make it 15 percent. The Senate is pretty well on record, since it did not consider it wise to reduce its own salaries by more than 15 percent, that it cannot afford to cut the men who were wounded in the Army more than that amount. That seems to be the position of the Senate. So I was hoping the Senator from Texas might withhold his amendment and support a later amendment, which is going to be offered, to do exactly the same thing for the Spanish-American War veterans that we hope to do for the World War veterans by the amendment of the Senator from Florida.

I do not know just what the substitute proposed by the Senator from Oregon proposes. As I understand, it has not as yet been offered. May I ask the Senator from Oregon if the amendment in the nature of a substitute which he intends to propose covers only World War veterans or does it cover the case of soldiers who served in the Spanish-American War and in the Philippines?

Mr. STEIWER. It covers all service-connected disabilities of veterans of all wars, whether directly connected or presumptively connected; that is to say, so far as we have discussed the compensation of World War and the Spanish-American War veterans; but there is one class of Spanish-American War veterans not covered by the proposal which I had read a little while ago, and that is those Spanish-American War veterans whose disabilities are not service connected.

Mr. CONNALLY obtained the floor.

Mr. JOHNSON. Mr. President—

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from California?

Mr. CONNALLY. I yield.

Mr. JOHNSON. May we again have read the amendment in the nature of a substitute offered by the Senator from Texas? I was confused from the way in which it was read.

The PRESIDING OFFICER. Without objection, the clerk will again read the amendment in the nature of a substitute offered by the Senator from Texas.

The CHIEF CLERK. In lieu of the amendment offered by the Senator from Florida it is proposed to insert the following:

Notwithstanding any of the provisions of the act approved March 20, 1933, entitled "An act to maintain the credit of the United States Government", in no event shall World War service-connected disability compensation of any veteran or the pension of any veteran of a war prior to the World War be reduced more than 25 percent of the rate being received prior to March 15, 1933, subject to regulations as to payments to unmarried persons with incomes exceeding \$1,000 or to married persons or to persons with minor children whose annual income exceeds \$2,500.

Mr. CONNALLY. Mr. President, the purpose of this amendment is to get results rather than to make a gesture. The 15-percent amendment of the Senator from Florida for which Senators are contending will never get results. I believe I speak advisedly when I say that in the final analysis—it may get the result here today; it may get the notice of the newspapers—but when all is over and the smoke of battle is cleared, the veterans will not get it. I had rather vote for an amendment preventing a cut of more than 25 percent and have it become law so that the veterans may get 75 percent of their old rate, than to read a newspaper story to the effect that I voted not to cut the veterans' compensation below 15 percent, and then not let the veterans get anything.

Mr. CUTTING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from New Mexico?

Mr. CONNALLY. I yield.

Mr. CUTTING. I agree with the Senator in everything he has said; but why does he assume that it is impossible to limit the cut to 15 percent and possible to restrict it to 25 percent?

Mr. CONNALLY. The Senator, I hope, is a practical statesman, and we know that this amendment has got to go over several hurdles before it becomes a law. It has to go back to the other House; after it shall have been acted upon there it has got to go to the White House; after it goes to the White House it will probably be referred to the Veterans' Bureau; and the Senator knows what tremendous influence the advice of that Bureau will have upon the final action upon this bill. I have just as great sympathy as has any Senator upon this floor for the disabled service-connected veterans, but they will be glad to have an act limiting their cut to 25 percent; they will be happy to receive it. Why not let us be practical? Why not let us do something that we can hope to accomplish, rather than simply to spend a lot of time in making gestures that may not accomplish the result?

What does my amendment provide? My amendment provides that in the administration of the veterans' law, notwithstanding any provision of the National Economy Act, veterans having service-connected disability compensation—not the men whose disabilities are non-service-connected, but the service-connected disability cases—shall not be cut more than 25 percent. It further provides that in the case of Spanish-American War veterans, not simply those above the age of 62, but all Spanish-American War veterans who were on the rolls, who were adjudged by the Government to have been disabled, who were adjudged by the Government to have been entitled to a pension, shall under this bill, if it shall become a law, not be reduced more than 25 percent. It is putting them upon the same plane with the World War veterans.

Mr. HATFIELD. Mr. President—

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from West Virginia?

Mr. CONNALLY. I yield.

Mr. HATFIELD. Not all the Spanish-American War veterans drawing pensions have service-connected disabilities.

Mr. CONNALLY. No; I shall say to the Senator that some of them are not service connected, because in the old days there was no difference, under the law, between a service-connected disability and a non-service-connected disability. Those veterans whose cases have been settled, and who are lawfully on the rolls under the old law, would be left there and could not be cut more than 25 percent. They have all been adjudged to be worthy cases; the pensioners have all been adjudged to have been disabled. The records are not now available; and there is not one Spanish-American War veteran in a hundred who if he had today to prove service connection for his disability could do it.

Mr. HATFIELD. Mr. President, will the Senator yield further?

The PRESIDING OFFICER. Does the Senator from Texas yield further to the Senator from West Virginia?

Mr. CONNALLY. I yield.

Mr. HATFIELD. The Spanish-American War veterans with service-connected disabilities represent 12½ percent of the total number; those who cannot prove service connection represent 87½ percent.

Mr. CONNALLY. Exactly.

Mr. HATFIELD. How many of the 87½ percent would the amendment of the Senator from Texas take care of?

Mr. CONNALLY. It would take care of all of them. If they were on the rolls and had been adjudged to have been entitled to pension, they would stay on the rolls and the cut could not be over 25 percent.

Let me suggest to the Senator from West Virginia that most of the Spanish-American War veterans are getting old.

Old-age pensions are now being advocated. Here is a veteran who has become old; he is disabled, and the Government has determined that he was disabled. In his declining years, why cut him off simply because after more than 30 years he cannot go back and get the records of his service in the Spanish-American War to prove that his disability was caused by his service in that war?

Mr. HATFIELD. Mr. President, will the Senator from Texas yield further?

The PRESIDING OFFICER. Does the Senator from Texas further yield to the Senator from West Virginia?

Mr. CONNALLY. I shall yield in just a moment.

Under the pension laws when these men went on the rolls there was no requirement of the law that a disability be service connected. Consequently those soldiers made no effort to service connect their disability; then it was not required. Now, years and years afterward, when the records are not available, to require such a soldier to do something which he ought, perhaps, have been required to do away back yonder, would be unjust and unfair. Now I yield to the Senator from West Virginia.

Mr. HATFIELD. Not only is the Spanish-American War soldier growing old but he became diseased because of the exposure to typhoid fever and dysentery, the seeds of which still remain in his body, and in many instances are only manifesting themselves at the present time in the period of his old age.

Mr. CONNALLY. The Senator is exactly right. Those who served under the Philippine's scorching sun or in the swamps of Cuba could not go up to the medical office the day they contracted an infection and say, "Doctor, I am service-connected disabled." Years afterward, in time of peace after they came back home and were integrated into the civilian population of the country, the germs of the disease and the seeds of illness sowed in their bodies under the Tropics and in the swamps began to germinate and propagate and develop in that soldier. The Congress passed no Spanish-American War pension act until 22 years after that war, and when the Congress did pass such an act, it did not require that the soldiers prove service connection, but the Government said, "Here is a veteran of 20 years and more ago; today he is physically disabled so that he cannot perform manual labor, and the Government, out of its bounty, will award him a slight pension." Now, years after his case was proven, years afterward, when the proofs are no longer available, it is unjust for a great and generous Government to insist that that veteran shall go back to the bread line unless he can resurrect some medical records, when there were no medical records.

Senators will remember in the Spanish-American War how inadequate were the hospital facilities; they will remember how poor the medical service was; they will remember how inefficient was the administrative machinery of that war; and it is now physically impossible for those veterans to obtain proof of the service connection of their disabilities.

Let me appeal to Senators. There will be many amendments offered here. This is one amendment upon which we can all stand. This is one amendment which will get results. This is one amendment that will take care of the World War veterans and also will take care of the Spanish-American War veterans. If Senators want to get results, if they want to do something substantial for the World War veterans, accept this 25 percent cut and do not insist upon only 15 percent, which cannot ever be attained.

Mr. FLETCHER. Mr. President, the Senator stated that his amendment provides for a cut of 25 percent.

Mr. CONNALLY. That is the limitation.

Mr. FLETCHER. Then it does not provide that a cut must be made?

Mr. CONNALLY. Oh, no. The Senator from Florida is right. He makes a very pertinent observation. The amendment does not automatically make the cut. The amendment is a limitation upon the power of the President and the Veterans' Administration and provides that they shall not make a cut of more than 25 percent.

Mr. LEWIS. Not that there shall be a cut, but if there is a cut it shall not be in excess of 25 percent.

Mr. CONNALLY. The Senator from Illinois, with his usual perspicacity and alertness, calls my attention to the fact that the effect of the amendment is not to require a cut, but if there is to be a cut it shall not exceed 25 percent. I thank the Senator from Illinois for his illuminating suggestion.

Mr. GEORGE. Mr. President—

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Georgia?

Mr. CONNALLY. I yield.

Mr. GEORGE. I wish to inquire if the Senator's amendment now pending provides for the continuance of pensions to widows and dependents?

Mr. CONNALLY. It does; to veterans or their widows or dependents. It expressly so provides.

Mr. VANDENBERG. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Michigan?

Mr. CONNALLY. I yield.

Mr. VANDENBERG. I should like to ask the Senator for an interpretation of his own language. Section 18 of the Economy Act makes a specific 10 percent reduction in Civil War pensions. Would the language of the Senator's amendment go back to the Civil War?

Mr. CONNALLY. It would not. My amendment simply provides the veterans of prior wars shall not be cut more than 25 percent. It would not in any wise refer to those cuts, because they are specific. It would not repeal that section. It is not my purpose to repeal that section.

Mr. McKELLAR. Mr. President, may I ask the Senator from Texas what effect this would have on the pensions of Spanish-American War veterans?

Mr. CONNALLY. Not exceeding 25 percent cut.

Mr. McKELLAR. But how much in money would they be affected? What do they now get under the regulations?

Mr. CONNALLY. Under the maximum they get \$60, and then \$45, and then \$35, and then \$25. Those are the four classifications. The maximum would be \$60 less 25 percent, which would be \$45; then \$45 less 25 percent, and so on down.

Mr. McKELLAR. That is, if the amendment is adopted?

Mr. CONNALLY. Yes.

Mr. McKELLAR. What would they get under the present regulations?

Mr. CONNALLY. Under present regulations more than half of them go off the rolls entirely and most of the others get only \$8.

Mr. McKELLAR. Of course that is indefensible. It seems to me we ought to do justice by the Spanish-American War veterans.

Mr. FESS. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Ohio?

Mr. CONNALLY. I yield.

Mr. FESS. As I understand the Senator's amendment, the maximum reduction is 25 percent. If there are serious cases, such as have been presented to us in the last 2 days, they need not be reduced at all?

Mr. CONNALLY. The Senator is correct.

Mr. FESS. Or they may be reduced along the line from zero to 25 percent?

Mr. CONNALLY. The Senator is correct. Under my amendment no one need be reduced at all unless the President and the Veterans' Administration decide to reduce him. If they do reduce him, he is to be reduced not exceeding 25 percent.

Let me appeal to Senators who are supporting the 15-percent cut to vote for this substitute of mine. It is well considered. On March 15, 1933, when the economy bill was pending, I offered substantially this pending amendment, and had it been adopted then we should not have had the chaos and cruel injustices that have arisen in prospect under the regulations of the Veterans' Administration.

Mr. RUSSELL. Mr. President—

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Georgia?

Mr. CONNALLY. I yield.

Mr. RUSSELL. I am very much in sympathy with what the Senator is saying. I supported his amendment originally when offered to the Economy Act. I would like to inquire if the 25-percent limitation applies to direct service-connected cases and to presumptive cases or only to the direct service-connected cases?

Mr. CONNALLY. The language is "service-connected cases." I am not prepared to say how that language would be construed. Even though it applies only to direct service-connected cases, it is so much better than what we have, it is so much better than what we are going to get unless we unite on some amendment, that I hope the Senator will support the amendment in its present form. The presumptive cases can be worked out by the Veterans' Bureau, we hope in a liberal spirit; but let us not divide our counsel; let us not break up our ranks. Here is a chance to put this amendment over, and if Senators will not insist on the 15-percent cut only, we shall accomplish something; but if some of us vote for 15 percent and some vote for 25 percent, we may finally adopt the 15-percent cut, and that is the last we will probably ever hear of it.

Mr. RUSSELL. I want to say to the Senator from Texas that I am going to support his amendment regardless of the final form it takes. I think it is a logical solution of the entire matter. But I wonder if the Senator from Texas would not modify his amendment by inserting the word "direct"? In order to avoid any possibility of confusion, I wonder if the Senator would not accept a modification inserting the word "direct"?

Mr. CONNALLY. Yes; I will accept that modification. Let it read "direct service-connected." I know the Senator from Georgia [Mr. RUSSELL] is a sincere friend of the veterans, since he has been State commander of the American Legion of Georgia.

Mr. President, I have said all I want to say on the subject, but I do want to impress Senators with the seriousness of the situation. The time is here now to act, to act together; and if we do, we shall put this over. But if we divide over 15 percent and 25 percent, we may improve our own particular political fortunes, but we are going to harm the veterans whom we are trying to aid.

Mr. DILL. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Washington?

Mr. CONNALLY. I yield.

Mr. DILL. I want to make this suggestion to the Senator from Texas. It was made to me a moment ago by another Senator. The sentiment that exists in the Congress now against the Veterans' Administration and its regulations is due to the fact that those who wrote the regulations went crazy, figuratively speaking. They went beyond all reason in their reductions. We are likely here, in trying to adopt the 15-percent reduction only, to lose the support of the country and lose the very thing we are trying to accomplish. I believe the country will look upon a 25-percent reduction as a decent reduction. I think the veterans will accept it as a decent reduction, and I think if that provision is put in the bill it will stand. If we make a 15-percent reduction and have a Presidential veto, I do not know what will happen, and no one else knows what will happen.

Mr. CONNALLY. The Senator is right. The country will support us if we make a 25-percent reduction. The veterans will be happy to accept that sort of an amendment. If we insist on cutting off only a small amount and the President should veto the bill, the country will rally to the support of the President and will condemn the Congress for undertaking to antagonize his policy.

Mr. HEBERT. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Rhode Island?

Mr. CONNALLY. I yield.

Mr. HEBERT. I want to propound this inquiry to the Senator from Texas. Has he agreed to the suggestion of the junior Senator from Georgia [Mr. RUSSELL] to make this apply to direct service-connected disabilities?

Mr. CONNALLY. Yes; I agreed to that.

Mr. HEBERT. Does not the Senator think that will restrict his amendment very materially?

Mr. CONNALLY. It will, but I accepted the modification in deference to the Senator from Georgia.

Mr. HEBERT. Moreover, will it not be more difficult in many cases to prove direct service connection?

Mr. CONNALLY. There are thousands of those cases that are on record as direct service-connected.

Mr. HEBERT. But there are thousands that are not, and it would be impossible for the veterans to prove direct service connection. It would be doing an injustice to those men.

Mr. CONNALLY. Will the Senator from Rhode Island support the amendment if that word is eliminated?

Mr. HEBERT. Yes; I will support the amendment if that change is made.

Mr. RUSSELL. Mr. President, in making the suggestion to the Senator from Texas I made the statement that I would support his amendment whether this word is added or not.

Mr. CONNALLY. In view of the very practical consideration now appearing to the Senator from Texas, I ask unanimous consent to withdraw the modification and leave the amendment in its original form.

The PRESIDING OFFICER. The Senator from Texas may modify his amendment as he desires.

Mr. GEORGE. Mr. President—

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Georgia?

Mr. CONNALLY. I yield.

Mr. GEORGE. I desire to call the Senator's attention to his amendment. I merely want to call attention to the fact that the amendment as now offered provides only for the compensation of any veteran or the pension of any veteran of a war prior to the World War.

Mr. CONNALLY. In another draft it covered widows and dependents, and I ask unanimous consent to modify the amendment to include widows of veterans and their dependents.

The PRESIDING OFFICER. The Senator has a right to modify his own amendment.

Mr. CONNALLY. I shall modify it in that manner.

Mr. MCGILL. Mr. President—

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Kansas?

Mr. CONNALLY. I yield.

Mr. MCGILL. I should like to ask the Senator from Texas a question. The amendment offered by the Senator from Texas contains the following provision:

Subject to regulation as to payment to unmarried persons with incomes exceeding \$1,000 or to a married person or person with minor children whose income exceeds \$2,500.

I should like to inquire of the Senator from Texas who is to ascertain those facts in order to enforce the regulation?

Mr. CONNALLY. The Veterans' Bureau promulgated the regulations and, of course, they would be charged with the administration of them.

Mr. MCGILL. Will they not be required to keep books on practically every veteran or every widow of a veteran in this country?

Mr. CONNALLY. Oh, no. I am sure they could require a return from a veteran just as we require a return with reference to incomes for the purpose of income taxes. It would be simple. They could require a sworn statement from the veteran which would be accepted in the absence of proof of fraud or some other improper motive. That would not be a difficult matter.

Let me say to the Senator from Kansas that I am including that provision in the amendment not because I approve it but because those are the regulations, and I want to go

along with the Veterans' Administration just as far as I can. If a single man has \$1,000 independent income, I am willing for him to forego his pension if by so doing we can get a pension for the veteran who has no income at all and who is disabled.

If a married man has an income of \$2,500 a year, I am willing that he shall lose his pension if by losing it we are able to get a pension for a disabled comrade who has no income, and is physically disabled and incapable of earning a livelihood.

Mr. MCGILL. Mr. President, if the Senator will yield just a moment further, suppose a single man receives a compensation of \$900 a year, but does not quite receive \$1,000. His compensation or pension could not be reduced more than 25 percent.

Mr. CONNALLY. That is true.

Mr. MCGILL. In other words, it would be advantageous to him to earn a little less than \$1,000 annually.

Mr. CONNALLY. I shall say to the Senator that that is a difficulty we shall encounter in any administration of the law. I am adopting that simply as a practical proposition, not to encounter any more opposition than is unavoidable from the administration and from the Veterans' Bureau. I want results. I want this amendment adopted, and I believe that in its present form it can be adopted; but if we mutilate it, we shall not get it adopted.

Mr. MCGILL. Mr. President, I feel that the amendment is far more impracticable with the provision in it to which I have called attention than it would be with the provision eliminated.

Mr. TRAMMELL. Mr. President, I wish to say a few words with regard to the amendment I have proposed. I desire first to suggest that we add, at the conclusion of that amendment for which the substitute has been offered, the following:

Provided, That Spanish-American War veterans shall not be required to make proof of service-connected disability.

I do that to meet the suggestion made by the Senator from Texas [Mr. CONNALLY]. Of course, the President, in his instructions—at least I presume they are instructions, because they are carried forward in the regulation—had advised that there should be a presumption of service-connected disability in Spanish-American War cases. However, in practical operation the instructions have not been carried out in just that way. I propose to modify my amendment as I have stated.

The PRESIDING OFFICER. The Senator from Florida modifies his amendment. The question is on the amendment, in the nature of a substitute, proposed by the Senator from Texas [Mr. CONNALLY] for the amendment offered by the Senator from Florida.

Mr. TRAMMELL. Mr. President, I desire to say a few words on that subject.

Throughout my career in this body I have observed Senators who felt that a situation was not going just as they preferred to have it go, getting up on this floor and trying to intimidate Senators into voting as they wished to have them vote by threats of what would happen to the measure if it was not as they willed it to be.

That is true in this instance of the Senator from Texas [Mr. CONNALLY]. Of course, it is a great pity that nothing can go through here in regard to legislation to help the veterans unless it meets the entire approval of my good friend from Texas. I do not know where he gets his information that a measure which provides not exceeding 15-percent reduction cannot ever become a law, but a measure which provides 25-percent reduction he thinks will become a law. I have heard statements of that kind made on this floor many times. I think the Senator from Texas is a good friend of the veterans; but I do not understand why the Senator has not actively supported and tried to foster in this body a measure or amendments which provided for a 25- or 30-percent decrease of salaries to civilian employees who were drawing salaries of ten or fifteen thousand dollars per

annum, and now says that we ought to amend the law so that we can reduce the veterans 25 percent.

I want to be consistent. My amendment for a graduated reduction in governmental salaries failed. I believe we should have reduced the big salaries in a larger percentage; but if this amendment, in the form in which the Senator from Texas has sent it to the desk, will meet with the approbation of the Veterans' Bureau, the other would just as well meet the approbation of the Veterans' Bureau.

As far as I am concerned, I am getting tired of and disgusted with the bureaucratic control of Congress by the Veterans' Bureau or any other bureau. Some people want to allow them to dictate everything. Just as man to man I have a respect, of course, for those gentlemen up there. I would have had a great deal higher respect for some of them, however, if it had not been for the travesties of justice and of good ethics involved in their maintaining at big salaries a number of Army officers who were drawing large retirement pay. When it came to those people it was all right, in their estimation, to have no reduction of their compensation through the Veterans' Bureau. We know of the disgrace and the travesty which arose in the investigation of the Veterans' Bureau here a few years ago. I do not remember the figures; but, to take a typical case, an officer is on retirement pay at about \$6,000 a year. He goes into the Veterans' Bureau, and they pay him \$8,000 or \$10,000 a year in addition to his retirement pay. So I do not rely too much upon the judgment of people of that conception of public duty.

I believe almost every Senator here knows that the attitude of the Veterans' Bureau and the Director of the Budget has not been generous and sympathetic toward the veteran. It was, however, generous and sympathetic toward the retired officer with his \$6,000 or \$7,000 of retirement pay to the extent that they gave him a salary of \$8,000 or \$10,000 additional.

When I go to some source from which to get information for my guidance, I shall not seek that information and guidance from the Veterans' Bureau. Their record does not justify me in doing so. The whole cause of this discussion, the whole reason that we have before us the very problem which is now confronting us, is not on account of any Member of the Senate or the House of Representatives that I know anything about. It is on account of the abuses of the Veterans' Bureau and the Director of the Budget, who cooperated with them in making these unreasonable regulations and these ridiculous and outrageous reductions in compensation.

Mr. LONG. Mr. President—

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Louisiana?

Mr. TRAMMELL. I yield.

Mr. LONG. As I understand the Senator from Texas, if the Veterans' Bureau does not want us to do anything, it is not going to do any good to do it anyway. Why not just pass a little resolution here and let us adjourn over the weekend and let the Veterans' Bureau sit down here and write the thing up? That would be a practical way of getting at it, instead of spending a lot of time and money, as we are doing now.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. TRAMMELL. I yield; but I do not want Senators to make speeches in my time.

Mr. CONNALLY. The Senator yielded to the Senator from Louisiana to make some remarks about the Senator from Texas.

Mr. TRAMMELL. I yield to the Senator from Texas.

Mr. CONNALLY. No; Mr. President, the Senator from Louisiana did not understand the Senator from Texas to say anything of the kind, or to entertain any suspicion that he has to get the consent of the Veterans' Bureau or anybody else. The Senator from Louisiana seems to labor under the delusion that nothing can happen here unless he consents to it; and his subconscious mind probably drew some deduction that the Senator from Texas was operating in the reverse in some sort of fashion.

Mr. LONG. Mr. President—

The PRESIDING OFFICER. Does the Senator from Florida yield to the Senator from Louisiana?

Mr. TRAMMELL. I yield.

Mr. LONG. The RECORD will show that the Senator from Texas took up 30 minutes' time not only saying in exact words but saying in substance also that he was going to give us a bill that the Veterans' Bureau would allow us to have. That is what the distinguished Senator from Texas said; and he has nodded "yes" to what I have just said.

In line with what the distinguished Senator has just said, I do not want my friend from Florida and others of us to be laboring here in vain. Let us just send this thing down to the Veterans' Bureau; and if they do not want to come up here, let them send us word, or let them come up here and write the thing out. Why not admit that we are not running the Senate any more; that we are running under the squint-eyed, two-bit, 2-by-4 Veterans' Bureau skinflint politicians that have been brought in here to run us? [Laughter in the galleries.]

The PRESIDING OFFICER. The Chair must admonish the occupants of the galleries that any demonstrations of approval or disapproval of the proceedings on the floor are strictly prohibited by the rules of the Senate.

Mr. CONNALLY. Mr. President, the Senator from Louisiana, in saying "we", evidently employs the editorial "we."

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. TRAMMELL. I yield for a question. I do not want to yield for any length of time, because I want to get through; but if it is for a question, all right. I do not yield for a speech.

Mr. SHIPSTEAD. Will the Senator inform us how many veterans there are on the rolls whose disabilities are directly connected with service, so far as he knows?

Mr. TRAMMELL. I do not know. I have not looked into that.

Mr. SHIPSTEAD. Is there anyone here who can tell us?

Mr. TRAMMELL. I do not know whether anyone here has those data or not. I think the Senator from West Virginia [Mr. HATFIELD] did have some data upon that subject, but I do not know whether they show that or not.

Mr. President, I do not want to be alarmed and I do not want to be scared off the track by any suggestion that if the legislation is not for a 25-percent reduction there is no probability of its bringing practical results. I think Congress is in a position where it should be consistent; and we should not attempt to reduce the compensation of these service-connected veterans any more than we have reduced our own compensation. I have not liked to talk about that. I have supported a reduction of as much as 25 percent in our own salaries; but a majority have not done that, either in the House or in the Senate.

When I go back home, when I face the veterans—these heroes, as I regard them, these valiant men who responded to their country's call without qualifications and without limitations when they were called—I do not know how to answer them when some of them in an audience to which I am speaking say, "Well, you fellows up there in Congress would not cut your own salaries over 15 percent. Why did you want to have a veteran's compensation or pension reduced as much as 25 percent? They tell me that up there in the United States Senate this question confronted you directly; that you could either save us from a reduction of not exceeding 15 percent, or you could see fit to raise it up to where they could reduce us 25 percent. Why did you support the 25-percent reduction for us when you had refused to support an amendment proposed by certain Senators in a bill proposed by another certain Senator to make a reduction exceeding 15 percent in your own salary?"

I do not like to refer to anything about the Senate in this discussion; but if we are going to take such an inconsistent attitude, I know and I forecast just how the public will feel about it.

Senators talk about an aroused public sentiment against the Economy Act because justice is not done the veterans of this country. There will be—and there is brewing today—

an aroused public sentiment against the Congress of the United States because they do not reduce in a more substantial percentage these big salaries of ten, fifteen, eighteen, and in some instances thirty-five thousand dollars. That sentiment is already aroused so far as the public is concerned.

Mr. BORAH. Mr. President—

Mr. TRAMMELL. I yield to the Senator from Idaho.

Mr. BORAH. The Senator from Florida proposed an amendment to his amendment with the view, I suppose, of including the Spanish War veterans.

Mr. TRAMMELL. That was the idea—to remove the necessity of proof. I did that to perfect my amendment in order to meet the situation as contended for by the Senator from Texas and some other Senators.

Mr. BORAH. The question with me is, Does the amendment offered by the Senator from Florida include as many soldiers as the amendment of the Senator from Texas?

Mr. TRAMMELL. The amendment is as follows:

Provided, That Spanish-American War veterans shall not be required to make proof of service-connected disability.

That, of course, includes everybody who can get on the roll under the Senator's amendment or under this amendment.

I do not see that there would be any difference in the number that would be entitled to compensation under the provisions of the two amendments. The only thing is I would protect these veterans against a reduction exceeding 15 percent. When a review is attempted by the Veterans' Bureau I would place the burden of proof upon the Government. The Senator from Texas does not do this. The Senator from Texas would allow their compensation to be reduced up to 25 percent. The Senator from Texas said otherwise, but I rather think his construction of his own amendment is wrong. He says that the wording of his amendment does not open the door for a reduction up to 25 percent against Civil War veterans. It does say that veterans of all wars prior to the World War shall be subject to a reduction of as much as 25 percent. It says, notwithstanding the provision of the title being amended, that there is authority given for a reduction up to 25 percent as to the veterans of all wars prior to the World War.

The original Economy Act, title I, dealing with the question of compensation of soldiers, and so forth, specifically provides that there shall not be a reduction in excess of 10 percent in the case of Civil War veterans. As I construe it, the amendment of the Senator from Texas unquestionably repeals the limitation on the amount of reduction in the original act for Civil War veterans, and opens the door for a reduction of as much as 25 percent against the Civil War veterans. It applies to all veterans of wars prior to the World War. There are better lawyers here than myself, but I do not think I am mistaken in my construction of the Senator's provision as to Civil War veterans. I think it would unquestionably repeal the provision that a Civil War veteran's pension shall not be reduced more than 10 percent, and it would give the administration authority to reduce their pensions 25 percent.

Mr. President, I have occupied much time on this matter because I have taken an intense interest in it. I have been working hard on it for 3 days in order that I might try to do my little mite in behalf of the men of this country who I believe deserve it, believing that their Nation owes them a debt of gratitude, and that they should be defended, if necessary, by Representatives and by Senators against the attack, cruel as it has been, which has been directed at them by the Veterans' Administration, or whoever it is who has promulgated these regulations, the application of which, in many instances, has been cruel and brutal.

I do not want to rely on the Veterans' Bureau particularly to make corrections. To my mind they have already displayed heartlessness; they have displayed a lack of interest in giving sympathetic treatment to our veterans; and I do not propose to have them direct what kind of legislation shall be enacted. I would come nearer opposing a 25-percent proposal if I knew it came from the Veterans' Administration instead of favoring it. I do not want to have them

think they carry me around in their vest pocket, or have any of these other bureaucrats around Washington entertain such an idea. They think that as to certain Senators and Representatives, whatever they say goes, and they want to dominate and control Congress. It is time the Congress was not only asserting its independence but performing its duty as the Constitution of the country requires and the people of the country expect.

Mr. COPELAND. Mr. President, will the Senator yield?

Mr. TRAMMELL. I yield.

Mr. COPELAND. As I understand it, the Senator has modified his amendment so that the Spanish War veterans are taken care of in the same way the World War veterans are?

Mr. TRAMMELL. They would not have to make proof of the service connection of their disabilities if they are on the roll.

Mr. COPELAND. And the cut shall not be more than 15 percent?

Mr. TRAMMELL. Not exceeding 15 percent.

Mr. COPELAND. And the Senator does not require a pauper's oath?

Mr. TRAMMELL. Oh, no. I did intend to say something about that, but I have been so intense in this matter that I thought I had already talked too long.

In my State, Mr. President, ever since I entered public life, the people and the legislative body of that State have felt a pride in paying honor to the Confederate veterans. We long since got away from the idea of making a pauper list of the Confederate veterans of the State who were given pensions. When people began to talk about a pauper list for the Confederate veterans, it was not only resented by the veterans themselves, but it was resented almost unanimously by the people of the State of Florida. We have no pauper list there, and I do not think one should be established here.

If the necessity is so acute and there is such a demand for economy and the saving of money—and I think we ought to save all possible—we can trim enough out of the very bill to which I have offered this amendment to match all we could possibly save by adopting as the policy of the Congress a pauper-role requirement to be applied to the patriots and the heroes of this country.

Mr. President, I have gone over the independent offices appropriation bill; I have read its provisions; and I say that we could eliminate, without hurting the public service, items which would afford sufficient savings to more than balance every dollar that would be saved by establishing the pauper list proposed in the amendment of the Senator from Texas.

The main question now is whether or not the Senate wants to place a greater restriction upon the rights of the veterans by allowing a decrease of 25 percent or whether they prefer to leave open the opportunity to reduce only 15 percent.

I think Senators will thoroughly remember that this question of limitation is not a new feature or departure in legislation of this character. In former legislation we fixed a limitation in regard to Civil War veterans. We fixed a limitation in regard to salary reductions in the legislation, and we fixed other limitations. Only the group of our people who served in war, who have been the Nation's defenders, have heretofore been left without any limitation upon what reduction may be made in their compensation and pensions. That is the discrimination which I am trying to repeal and to overcome.

Mr. COPELAND. Mr. President, will the Senator yield again?

Mr. TRAMMELL. I yield.

Mr. COPELAND. The difference between these two pending matters is this, is it not? The Senator from Florida proposes that, as to certain disabilities, whether incurred in the World War or in a previous war, the Spanish War, for instance, the cut shall not exceed 15 percent, which is the cut which we imposed upon ourselves and upon employees of the Government. That is what we have in the proposal

of the Senator from Florida. On the other hand, we have the proposal of the Senator from Texas, which is that there shall be a cut of 25 percent, and then, besides that, the requirement of a pauper oath. Am I correct?

Mr. TRAMMELL. That is correct.

Mr. LONG. Mr. President, the Senator being a lawyer, I should like to ask him this question: Is the Veterans' Administration, under this amendment of the Senator from Texas, to decide whether or not a veteran made a thousand dollars? If so, what is to be the yardstick in determining that fact? They can say he made a thousand dollars a year before, and, therefore, that they will not put him on the roll. They can say he made \$83 in the month of January, and that, therefore, they will not put him on the roll, and that will practically make the pauper's oath necessary.

There is something further about it. Even though we make the figure 10 percent, the Veterans' Administration will make it 25 percent anyway. Do not worry about that. In the administration of it they will make it 25 percent. When they come to administer the act, surrounded by all these exceptions to be included, Senators will find that far more men will be cut 25 percent than will be cut just 15 percent in the administration of the act.

Under the amendment offered by the Senator from Texas a man would have to prove that he could not make \$1,000 a year. If he went out the year before and worked and made \$83 a month, then he would not get any pension; but if he does not work, he will get something in the way of a pension. It would be far better to encourage these men to work all they could, rather than to hook the pauper's oath onto the legislation, in effect telling a man he has to be able to show that year in and year out he never made \$1,000.

Just one more word about the Veterans' Administration. My friend the Senator from Texas says that if the Veterans' Bureau sits down on the bill the President will veto it. We have shown here this morning that we have enough votes to override a veto. We have voted already by about 60 to 20 to suspend the rules and to put this amendment over, or perhaps I overstated it a little and should have said 55 to 21 or 22 or 23.

Mr. President, that is not all. This is part of the independent offices appropriation bill, and there is not so much danger. Nor is that all. The people of this country are demanding justice for the soldiers, and I want to say this: That I do not think we ought to cut the salaries of Congressmen from \$10,000 down to \$8,500, because I cannot live and support a family on \$8,500, and I do not believe any other Member of this body is doing it in Washington if his family lives in anything like the comfortable circumstances in which they lived back home. But I would far rather go back and face the American people and be able to say that I had voted to cut our salaries 25 percent than to cut my own salary 15 percent and cut the disabled veterans more than 15—up to as high as 25, or perhaps more than that.

Mr. President, if we feel that we are going to turn these people over to the mercies of an administration that has already proved itself to have been so merciless that Congress had to pass an act in order to undo what they have done, if, regardless of what they have done, we are going to turn them over, under such an amendment, to that kind of an administration, there is no use passing any law, anyway. We voted twice on this matter, and I am hoping that Senators will not now change their minds and make the figure 25 percent, and make a soldier take the pauper's oath and prove he had a pauper's income in order to qualify at all; but that is what the amendment of the Senator from Texas means.

I predict that if we adopt the amendment of the Senator from Texas we are going to arouse the public to a greater extent than they are aroused now, because under the exemptions and qualifications the bill makes it is not going to do the soldiers very much good. It will perhaps do them less good than what they might get without our doing anything at all. I hope we will stand by the amendment of the Senator from Florida, approval of which we have already expressed by a vote of 2 to 1, and not nullify what a good amendment is intended to accomplish.

Mr. TRAMMELL. Mr. President, just one word. There was one feature I overlooked mentioning in connection with my amendment, that is, the feature which provides that when the Veterans' Administration is ready to review a case, where the man is already on the roll with service connection established, instead of requiring that poor fellow to reestablish all over again his service connection, where it is attacked by the Veterans' Administration, the burden of proof shall be upon the Government agency.

I think that is really an important feature of my amendment which is not in the amendment proposed by the Senator from Texas.

Mr. LONG. Mr. President, I want to call to the attention of Senators the fact that not only would this amendment of the Senator from Texas require a veteran to go into court and establish his case again, and bear the burden of proof, but it would wipe out that part of the amendment of the Senator from Florida which undertakes to correct that injustice, but he has to go back all over again. There is something else. He has not only to go through the mill again, but he has to prove he is not making \$1,000 or cannot inherit \$1,000, and that there is no one who is going to give him \$1,000, in order to get a pension.

Mr. STEIWER. Mr. President, I do not care to detain the Senate to debate this matter further, but I want to make this announcement, that I have modified the language of the proposal which I sent to the desk earlier in the afternoon to have read, so that it now provides all the protection that was provided at the time it was read, and, in addition to that, contains a provision against the reduction by more than 15 percent of the pensions of the veterans of the Spanish-American War or of the widows, orphans, children, or dependents of such pensioners.

This proposal is substantially the proposal of the Senator from Florida [Mr. TRAMMELL], except for some changes in language. I do not care to argue it at this time. I speak of it merely for the reason that if the desire of the Senate is to vote for a provision limiting the cut to 15 percent, instead of 25 percent, it will have the opportunity to do that without voting for the substitute offered by the Senator from Texas; but in case his amendment shall be voted down, I will offer mine. Of course, if his amendment should be agreed to, mine would not be in order.

Mr. COPELAND. Mr. President, I am sure every Senator has been shocked by the administration of the veterans law. I know I have been. I am not going to take the time of the Senate to recite cases beyond those I have already mentioned, but I know that Congress never intended that there should be such radical reductions as have been made in the cases of veterans who lost in combat both legs and perhaps both arms or their sight. I knew that we never intended to have things like that happen. No Senator ever expected they would happen.

My feeling now, Mr. President, is that we must be very sure that we are enacting into law terms so definite that nobody called upon to administer the law can fail to do justice to the veterans. I, myself, am not satisfied with the substitute proposed by the Senator from Texas. To begin with, it is shocking to think that a pauper's oath must be taken. We have been appealed to year after year by veterans not to have such a provision in any law which we might enact. It is humiliating to the man who has fought for his country to have to take the oath that he is so poverty-stricken that his income falls below the limit proposed by the law itself.

Mr. President, the Senator from Florida has modified his amendment in such a way as to take care of the Spanish-American War veteran. As I view it, this group of veterans has been outrageously treated; and when I know that a man who is past 70 years of age, who is almost ready to die of heart disease, a man who was a major in the Spanish-American War and who was wounded in that war, whose compensation was cut down within 1 week—only last Saturday—from \$50 to \$8, I, myself, do not want to depend upon regulations. The Senator from Texas, in his amendment, has proposed regulations.

Mr. CONNALLY. Mr. President—

The PRESIDING OFFICER (Mr. OVERTON in the chair). Does the Senator from New York yield to the Senator from Texas?

Mr. COPELAND. I yield.

Mr. CONNALLY. The Senator from Texas inserted that provision not because he favored it, but because he thought it would be more practicable. So far as the Senator from Texas is concerned, he is willing to modify his amendment and eliminate the clause about regulations.

Mr. COPELAND. I am glad to hear what the Senator has said. We do not want any regulation provided for.

Mr. CONNALLY. If I may do so at this time, I will now modify the amendment in that respect.

Mr. COPELAND. Mr. President, so far as I am concerned, I shall vote for the Trammell amendment. Perhaps 15 percent is not the figure which should be fixed, but after we shall have finished this bill it must go to conference. There will be a real conference. This country has been aroused by the injustices and the cruelties perpetrated in the interpretation of the law which we passed last spring. In consequence of the fact that the country is aroused, the administration is aroused.

I would be among the last to believe that the great-hearted President of the United States knew anything about the cruelties imposed by these regulations; he did not know that; he cannot know everything that is going on. But the administration now knows that the Congress wants justice done to the veterans who were disabled in combat during their service.

Mr. President, we can well afford to accept the amendment of the Senator from Florida. Then if in conference it seems wise to change the figure from 15 percent to 20 percent or to 25 percent, the proposition will come back to us for our approval. The amendment proposed by the Senator from Florida, however, is clear-cut; he who runs may read; and there will be no doubt about how the veterans will be treated if it shall become a law.

Mr. President, I hope that the Connally amendment will be defeated and that the Senate may adopt the amendment offered by the Senator from Florida.

Mr. KING. Mr. President, I have been in attendance upon the Committee on Finance and the dirigible investigation, so that it has been impossible to be present during the consideration of the bill now before the Senate.

I am advised, however, that amendments have been adopted to the pending bill which will necessitate an appropriation of more than \$160,000,000. This means a material modification of the program of economy which it was expected the administration would carry into effect. The Democratic administration has been receiving no little praise on account of the economies which it was believed were being effected. Democratic leaders, as well as the press of the country, have claimed that the policies inaugurated by the President would reduce governmental expenses for the next fiscal year at least \$1,000,000,000. Much of the enthusiasm for President Roosevelt has grown out of the belief that he has earnestly contended for the reduction in the expenses of the Government and has suggested plans to accomplish that result.

The people of the United States were dissatisfied with the enormous expenses of the Federal Government under the last administration, and they likewise were dissatisfied with the heavy burdens of taxation which were imposed upon them by the States and their political subdivisions. It is not too much to say that there was a revolt against the heavy burdens of taxation. State legislatures were compelled to inaugurate reforms in most if not all of the branches of the State governments, and the officials in counties and municipalities and school districts, under the pressure of public opinion, were likewise forced to reduce administrative expenditures. During the past few years the burden of taxation throughout the United States has created resentments and indignations among the people until many law-abiding citizens have indulged in most violent criticisms of public officials and of the Government itself.

The triumphant election of Mr. Roosevelt was in part due to the conviction that he would inaugurate reforms in the Government and reduce its expenses. The platform of the Democratic Party which pledged a 25-percent reduction in the expenditures of the Government met with the hearty approval of the people.

I repeat when I state that the people believed the promises made in the platform; they had confidence in Mr. Roosevelt; and the various addresses which he delivered in the campaign strengthened their confidence in him. His inaugural address confirmed the high esteem in which he was held by the people, and they looked to him to inaugurate reforms and carry out economic and political policies that would lift our country from the valley of depression and restore prosperity to the people. That he has earnestly addressed himself to accomplish the promises made by the party, all must concede. His leadership has been unchallenged, and measures which he has supported have won the approval of the people. Of course no party can avoid errors, and no leader no matter how great he may be, will prove infallible. But it must be conceded that the measures adopted by the administration arrested dangerous forces which threatened the integrity of our industrial and political system. It is not too much to say that he turned the tide of disaster and converted sinister forces into instruments of progress and victory.

Speaking in a general way and without having in mind the provisions of the bill before us, I beg leave to suggest that there must be no faltering upon the part of the Democrats in carrying to fruition those measures and policies that will revive business, restore confidence, and bring concord, peace, and happiness to the people of our country.

The overwhelming victory gained by the Democrats at the last election imposes serious and solemn obligations upon the Democratic Party. History is replete with examples of great victories being turned into defeats by reason of the follies and blunders of the victors. The Democratic Party cannot assume that its great victory will carry the party forward indefinitely to succeeding successes and triumphs unless the members of the party individually and in their corporate form hold high the standard of justice and execute sound and rational policies.

The party, to commend the confidence of the people, must live up to high standards of morality and justice; it must possess courage and resoluteness; it must execute plans resting upon solid foundations; it must not be a party of opportunism or be led by every wind of doctrine which for the moment may meet with current approval.

The Democratic Party has before it a heavy responsibility. It must not depart from policies resting upon morality and justice. It must build not alone for the present but for the future. It must appreciate that society is not static, that evolutionary forces operate in the economic and political world as they find expression in the biological world.

Democracy is not a class political creed, but it is a philosophy broad enough to envelope people everywhere and to bring to them the rich fruits of progress and national and international peace and prosperity.

Recurring to the question of economy, we must not forget that for a number of years the Democrats have been denouncing the Republican Party for its unwise and unsound policies and for the unnecessary and indeed extravagant appropriations made in behalf of the Federal Government. It has been charged that the Republican Party has built up a powerful bureaucracy, increased the number of bureaus and Federal agencies, and added tens of thousands of names to the list of the Federal personnel. We insisted that taxes should be reduced, Federal expenses should be cut, and that the Budget should be balanced.

Mr. COPELAND. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from New York?

Mr. KING. I yield.

Mr. COPELAND. If we had reduced our own salaries 25 percent, if we had applied the 25-percent reduction to the employees of the Government, then I would take the posi-

tion the Senator takes; but when we dealt with ourselves we made a 15-percent cut, and we ought not to do more in reducing service pensions than we have done in the reduction of our own salaries.

Mr. ROBINSON of Arkansas. Mr. President, will the Senator yield?

Mr. KING. I yield.

Mr. ROBINSON of Arkansas. Senators who have made that statement must know that the 15-percent reduction was a uniform reduction applicable to all, and that this amendment provides the maximum reduction which may be made even in case of one who does not need any Government aid at all, and the reductions on the average may be much less.

Mr. KING. Mr. President, the Senator from Arkansas has made a suitable reply to the interrogatory of the Senator from New York. More could be said showing its inapplicability to the bill under discussion, but I shall not be diverted from the thesis to which I was directing my attention.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. KING. I yield to the Senator from Minnesota at his request.

Mr. SHIPSTEAD. I thank the Senator. I wish to compliment him for the fine addresses he has made in the Senate on the subject of economy. I know the Senator is a humane man. I have here a memorandum showing the reductions made in pensions to wounded soldiers of the last war, and to show what the reduction means, I will read a typical case. Gunshot wound—

Mr. KING. I do not want to yield for the Senator to make a speech. I suggest that he make the statement in his own time.

Mr. SHIPSTEAD. I wanted to ask the Senator if he considers that it was an extravagance to cut the compensation of the wounded veteran of whom I am about to read, in the manner in which it has been cut?

Mr. KING. Mr. President, I am not discussing particular cases, nor am I contending that some proposed reductions in the claims and allowances and compensation of some veterans are just. Indeed, it is quite likely, in examining and classifying the various claims for compensation, mistakes have been made which call for correction. I think before I conclude—and I shall be very brief—that the Senator's question will have been answered, if I have not already answered it.

Mr. SHIPSTEAD. Very well. I will not impose upon the Senator.

Mr. KING. Mr. President, as I have indicated, I have been speaking in a general way and without reference to the bill before us or the amendments which have been recently under consideration. It has been my purpose rather to direct the attention of Democratic Senators to the pledges of their party, and to impress upon both Republicans and Democrats the importance of economy in the administration of the Government. Notwithstanding the improved condition of the country during the past 2 or 3 months, there are still obstacles to overcome and thorny paths to tread.

It is no easy task to rescue a patient who has been suffering for a long period and to bring back health and strength to the afflicted one. We have been suffering for a number of years from serious maladies which have produced a most serious if not a dangerous condition. A restoration to health will not come promptly, and, as I have said, we will reach the summit only after overcoming difficulties and encountering many vicissitudes.

Notwithstanding the heavy burdens of taxation, the deficits during the past 3 years have been stupendous. The deficits for 3 years will aggregate nearly \$6,000,000,000. To meet the confused situation in our country, to relieve unemployment, and to provide for the destitute will require further enormous sums. Additional borrowings will be required by the Government if a program for economic rehabilitation is carried out. Such a program, all agree, is imperatively required; and yet the credit of the country and the Government must not be impaired; its prestige must not be weak-

ened. Reforms must be inaugurated in the Government, and every reasonable effort must be made to reduce the operating expenses of the country to the lowest possible level consistent with efficiency and imperative requirements.

Responsibility rests upon the Democrats to meet the situation. If they fail they will be subject to severe criticism and their great victory may be turned into defeat. It has been said that the expenses of the Federal and State governments and their political subdivisions impose tax burdens upon the people greater than those which the people of any other country are compelled to meet. Certain it is that between 25 and 30 percent of all the earnings of all the people of the United States during the past 3 or 4 years have been taken from them by the taxgatherers to meet governmental expenditures. These heavy burdens are obstacles in the pathway of economic recovery, and, therefore—that is the point which I am attempting to make—every reasonable effort should be made to reduce expenses and lessen the burden of taxation.

The people have been following President Roosevelt because they believed that he stood for economy and would put into execution plans that would materially improve the condition of the people, and he has received generous support in his efforts to obtain the results desired.

Mr. CUTTING. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from New Mexico?

Mr. KING. I yield.

Mr. CUTTING. The Senator says that the Democratic Party pledged that the expenses of the Government should be reduced 25 percent. Does the Senator consider that the Democratic Party pledged that one half of that saving should be taken out of the disabled veterans?

Mr. KING. Mr. President, as I have stated—and the Senator, of course, was not paying attention to what I said, and I cannot blame him for that—

Mr. CUTTING. I have been listening with great care to the Senator.

Mr. KING. I was not directing myself specifically to the measure under consideration or to any of the amendments which have been offered to the bill before us.

However, I do not hesitate to state that appropriations have been made to individuals who were not entitled to the same. Mr. Hoover made recommendations calling for reductions in appropriations made to veterans in various categories. The investigations which were made by committees of the House and Senate, in my opinion, revealed that there should be reductions in appropriations carried in pension and veteran appropriation bills. Some veterans were not adequately provided for, and some were receiving compensation in excess of what was fair, and others were entitled to no compensation. One of the purposes of the so-called "Economy Act" was to enable the administration to make a searching investigation of the entire matter, with a view to correcting any injustices either to the Government or to the veterans or to their families. The President is a man of broad sympathies and of exalted ideals. He desires to see that no injustice is done to anyone, and the authority conferred upon him will not be abused, but, upon the contrary, will be exercised in a manner that will meet the commendation of all patriotic and right-minded people. As I understand the fact, the President and his assistants have not yet completed their investigations under the Economy Act. They are ready to make such adjustments and such changes as will meet every situation and provide just and adequate compensation to all entitled to the same.

From what I can learn I fear that some Senators have been too impatient and have been too much inclined to criticize the administration before knowing all the facts or knowing just what the final judgment of the President and his advisors will be with respect to the matters submitted for their consideration in the economy measure heretofore passed. I feel certain that the President's final judgment upon the matter referred to will measure up to the highest standard of justice and that no one will have any reasonable ground to complain.

It is quite likely that some persons will be denied all that they demand. It has been demonstrated that some reserve officers were not entitled to the retirement privileges and emoluments which they have received. I think it is admitted that compensation and payments have been made to persons who were not justly entitled to the same. In my opinion the President will deal with this question in a sympathetic and a just manner. To deny him the opportunity to go forward and complete the task assigned to him is, in my opinion, not the wisest course to pursue. I am willing to trust the President in this matter, believing that his decision will meet the approval of all patriotic and fair-minded people. But as stated, I rose not for the purpose of discussing the bill under consideration but rather to challenge attention to the promises made by the Democratic Party and the responsibility which rests upon that party to inaugurate reforms in the administration of the Government and to bring about economies that will reduce the burdens of taxation, which bear so heavily upon the people.

Mr. BYRNES. Mr. President, solely because of the statements made as to the cost which would result under the Connally amendment if it were adopted, I want to state that insofar as the Spanish-American War veterans are concerned it would result in an expenditure of \$65,000,000 in addition to the amount provided for by the regulations as at present. As to the World War veterans, under the language of the amendment as modified by the Senator from Texas so that it now includes all presumptive cases, it would add \$105,000,000. That is a total of \$170,000,000 that would be added to our pension bill by the amendment.

Mr. CONNALLY. O Mr. President, the Senator does not mean that. The rolls have not yet been prepared under the new regulations.

Mr. BYRNES. It would be that much more than the estimate of the Administration based upon the regulations. I want to state that I intend to vote for the Connally amendment. I am going to do it because I believe it superior to and wiser than the Trammell amendment.

Mr. WALSH. Mr. President, this is a most regrettable situation. It is unfortunate that these proceedings correcting the alleged errors in veterans' regulations should be taking place in the Senate without committee consideration or action by the Executive. It might be well to inquire why we are taking the course that we are now assuming as Democrats here in the Senate.

First of all, everybody was agreed in the beginning of the administration that there was need of rigid economy in the Federal Government and we willingly consented to give unlimited powers to the President for the purpose of reducing the expenses of Government. Among other powers delegated him was the power to change and modify the compensation and pensions of war veterans. Since the President promulgated his regulations some weeks ago it has become apparent to everybody everywhere, that there are certain unmistakable injustices in those regulations. It has been apparent for weeks even to the opponents of veterans' benefits that those regulations went too far. They are too drastic—this is generally recognized in all quarters. The Economy League, that fought bitterly for reduction in the compensation of veterans, never attempted or suggested the extreme lengths to which some of those regulations have gone.

What is the situation now confronting me and confronting you and you and you? Are we, knowing there is an injustice perpetrated, going to vote to remedy it when we have the opportunity or not? I, for one, did not propose all these amendments. I have been willing to wait until the President acted by modifying the regulations. But when Senators rise here and put the issue to me, "Are you now going to correct these injustices or are you going to wait and take another chance as to whether they will be corrected?" I say there is no other course for us to pursue except the one we are now pursuing, and that is to pass upon each of these amendments on its merits.

It is regrettable and unfortunate, and there is only one way to prevent it, because the Senate is saturated with the

feeling that through these regulations an injustice or several injustices have been done the veterans. The way to accomplish the desired result is for the President to modify the regulations. That is the much better way, the safer way, the sounder way, than to try to legislate here without carefully drafting the necessary changes upon the floor of the Senate.

To be sure my good friend the Senator from South Carolina [Mr. BYRNES] has stated that the President intends to do it, but the answer to that is, that that is the very answer we got when we passed the Economy Act, that the President would do the just thing. He intended to do it. He has indicated that he intends to make necessary changes. The Senator from Idaho [Mr. BORAH] hit the mark the other day when he stated that was the trouble whenever we delegate authority to another; that the man to whom we delegate it does what he thinks is a just thing, but it is not necessarily the thing that is just when we weigh the consensus of opinion of 96 men. What we are confronted with now is whether, knowing there is admitted injustice, we will adjourn and go back to our constituents and hear their complaints and statements of discontent—and I repeat, the worst enemies of the veterans everywhere admit there are injustices in these regulations—or correct them in a sensible way.

Mr. BYRNES. Mr. President—

The PRESIDING OFFICER. Does the Senator from Massachusetts yield to the Senator from South Carolina?

Mr. WALSH. I yield.

Mr. BYRNES. I simply want to say that I do not believe the Senator from Massachusetts was in the Chamber today when I made the statement, not as to what is to be done, but the definite statement that, so far as Spanish-American War veterans are concerned who are affected by the amendment introduced by the Senator from Washington [Mr. DILL], the President has definitely determined that as to those veterans there will be a fixed minimum rate of \$15, and that as to those suffering disabilities there would be fixed higher rates, not yet definitely determined upon, but to be determined in the future; that the cases of presumptives should be considered not wholly with the idea of going into each case to determine that some should remain and some should not, but to place them on a basis where they could remain and be paid some compensation on a different basis from the directly battle-wounded veterans.

Mr. WALSH. I did not hear the statement. I know the Senator has been most zealous and most desirous of bringing about modifications, and I think it is regrettable that the Senator, fighting for the position of the administration here on the floor of the Senate, should be confronted with a wave of protest resulting from the injustices which we all admit exists. Yet here and now is, apparently, our only chance to correct the injustices in the absence of a proclamation by the President before the Congress adjourns.

Mr. President, I rose simply to show what the feeling is here what it is in the country, namely, that there are injustices that ought to be corrected. But this may not be the place to correct it. The one who can correct it—the President of the United States—ought to modify the regulations and let us end this controversy, instead of having one amendment going to one extreme and another amendment going to another extreme. We have rewritten one proposed amendment at least half a dozen times, and the end is not yet, apparently. I am going to vote for it. The Senator says he is going to vote for it. Why is he going to vote for it? It is because he sees it is the only chance we have to prove that we are trying to correct these injustices in the absence of action by the Chief Executive, who issued the proclamations that changed existing benefits.

Mr. CUTTING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Massachusetts yield to the Senator from New Mexico?

Mr. WALSH. I yield.

Mr. CUTTING. Of course I accept every word the Senator from South Carolina says as being 100 percent in good faith, but may I remind the Senator who is speaking that

when the bill was under consideration he himself stated on the floor of the Senate that the President would make no cut and no reduction of any appreciable amount in connection with the veteran whose compensation is based upon disability as the result of direct service. Of course the Senator was equally in good faith when he made that announcement. He was taking it from those whom he assumed would live up to the pledges they made. The point I make is, How can we accept any assurance which would prevent us from doing what is the bounden duty of the legislative body?

Mr. WALSH. Mr. President, the Senator from New Mexico has corroborated what I have been trying to say, that when men say injustices have been done and the opportunity is given to correct them, they will not rely upon promises of what may happen in the future. They are going to act when their action can change an injustice into an act of justice. Therefore, I say that what we ought to do is to adjourn now and come back Monday, and let the President in the meantime make the modifications that he feels and that we feel and that I am sure his advisers must feel are necessary in order to correct the errors and yet not destroy the principle of economy that we are all desirous of upholding to reasonable limits. The regulations can be modified reasonably and cautiously and intelligently, and the one person who can do it is the President by proclamation which would remove these injustices.

Am I stating what is in the interest of the administration or what is in the interest of the soldier or what is in the interest of the country, or am I simply here protesting and criticizing without offering anything constructive?

Mr. DILL. Mr. President—

The PRESIDING OFFICER. Does the Senator from Massachusetts yield to the Senator from Washington?

Mr. WALSH. I yield.

Mr. DILL. I want to say to the Senator that it is my understanding that the administration is unable to revise these regulations at this time, so we are told.

Mr. WALSH. I do not want to criticize the administration, but I believe they have discovered the injustices that every man on this floor has discovered and I believe they will make the necessary changes. But the Congress is impatient and will not delay.

Mr. DILL. They admit there are injustices, but they say they cannot make the changes immediately. It seems to me the Senate can well indicate here and now by this amendment that we propose that at least they shall not go above 25 percent in any of these cases. That is a fair and just and reasonable proposal indicating our view of how the Economy Act should be administered.

Mr. WALSH. Does the Senator believe, in view of what he has seen in the Chamber today, that the Senate is going to stop with this amendment?

Mr. DILL. I do not know. I rather think it will if it is adopted.

Mr. WALSH. I think, before we get through, there will be several amendments to this bill.

Mr. ASHURST. Mr. President, will the Senator yield to me to make one observation?

Mr. WALSH. Certainly.

Mr. ASHURST. Being conscious, as I am sure most Senators are, of some errors and injustices in the regulations, I must say if we, Senators, realizing these errors, fail to correct them when we have the power and the opportunity to do so, how childish and puerile it would then be for us to criticize the President and the Budget Director, when we, having the power to make the corrections, fail to do so because, forsooth, it might not be convenient to us, or because of some parliamentary difficulties!

We should proceed to make needed corrections, and right the injustices and wrongs. Then, at least, we will have done our duty.

Mr. WALSH. I agree with the Senator; but does not the Senator think it would be better if the President would do it?

Mr. ASHURST. It would be well if the President would do so. I prefer that Congress should. It might be easier to leave it to the President. It might not be so irksome to us. It might not be so tedious; but let us do our duty.

Mr. WALSH. It is quite apparent that Congress is going to do it unless the Senate adjourns and the President acts before this bill is disposed of.

Mr. ASHURST. I should prefer that Congress do so, because Congress committed the wrong.

I, somehow, cannot get away from the idea that it is unsportsmanlike and unfair to grant power and then complain.

Mr. WALSH. Of course, logically carried out, that means that the Senator is going to vote for amendments that will correct the injustices called to his attention. Other Senators will do the same, and so will I.

Mr. ASHURST. I shall indeed vote for every amendment that I think tends to correct an evil or an error. I voted for the amendment of the Senator from Florida [Mr. TRAMMELL], and I shall vote for other amendments.

The Economy Act is not sacrosanct. The Economy Act is similar to any other law. We have the right to change the same. We have the power to do so, and I reserve to myself the right to vote to change the Economy Act or any other law.

Mr. WALSH. The Senator's position is absolutely sound.

Mr. ASHURST. I endorse the able speech of the Senator from Massachusetts. He has correctly horoscoped the situation. Unless these obvious errors are corrected, it might have the effect of repealing and nullifying the whole Economy Act.

It is wise, Senators, to make timely concessions. There is no matter of pride involved here. Sometimes a timely concession will avoid the necessity of a humiliating surrender on an important point.

Mr. WALSH. I thank the Senator from Arizona.

Let us be practical. The Congress adjourns in 2 weeks. The Senator goes back to Arizona. I go back to Massachusetts. A constituent confronts you and says, "Do you think those veteran regulations were just and proper?" "No." "Why did you not correct them?" "I left it to the President."

Mr. ASHURST. Mr. President, if the Senator will yield—

Mr. WALSH. I yield.

Mr. ASHURST. No man is going to get me into such a cul-de-sac. I am going to vote against adjourning unless and until these abuses are corrected.

Mr. WALSH. I feel as the Senator does. Especially when the Senator has put up to him, as a Member of the Senate, an amendment correcting obvious injustices, he is going to act.

Mr. ASHURST. Certainly.

Mr. WALSH. The Senator cannot say, "I voted against the amendment because I thought the President would do it. I surrendered my power."

Mr. ASHURST. I do not think it ought to be or will be construed by the President or by the Budget Director to be offensive to say that it is possible for them to make a mistake.

Mr. WALSH. But they may not have appreciated that Congress was rampant with a feeling that they had a duty, before they adjourned, to rectify these alleged injustices.

Mr. ASHURST. That might be true.

Mr. WALSH. That is the whole situation—that Congress is determined to use whatever weapons and means it has, on motions to suspend the rules for amendments, to do what? To embarrass the President? No; to correct what they are convinced and know and believe are injustices in the veterans' law.

Mr. ASHURST. Mr. President—

Mr. WALSH. I yield to the Senator from Arizona.

Mr. ASHURST. I should like to add one sentence. I look upon it, in one phase, just as if Congress had summed up a column of figures and had made an obvious error. Would Congress be so stiff-necked, so arrogant, as to refuse to correct the error?

Mr. WALSH. Especially if the one who set down the figures did not correct the error.

Mr. BORAH. Mr. President—

Mr. WALSH. I yield to the Senator from Idaho.

Mr. BORAH. It appears from the vote here that the Congress has arrived at the conclusion that these injustices have been done, and we ought to correct them. It seems to me that when we go home and meet our veteran constituents, of whom the Senator speaks, they will ask us why we did not correct them. We are the legislative body. We are the body that called them to war. We are the body that placed them in a position where they suffered as they have suffered, and we are the body that passed the law in the first place. They will ask us, "Why did not you, as a legislator, seek to correct these things? Do not put it on the President. Assume the responsibility yourselves."

Mr. WALSH. The Senator is exactly right.

Mr. President, I do not care to say anything more except, in conclusion, that I should like to see those in charge of this legislation, and those who want harmony to exist between the majority party here and the Chief Executive, arrange between now and Monday morning for modification of these regulations in a scientific manner and not in a haphazard manner, such as may be inevitable by reason of voting on the amendments hastily prepared, not in committee but on the floor of the Senate. Without this assurance it will be the duty of many of us to vote for remedial amendments that enlarge the scope of existing regulations, even if not scientifically drafted.

Mr. SHIPSTEAD. Mr. President, I have here a list of 50 typical cases of service-connected disability that were placed in the RECORD on yesterday afternoon. Let me read for you one typical case of a soldier suffering from the following:

Gunshot wound right thigh, right knee through and through; left leg through and through, with fracture upper part of left fibula, previously rated permanent partial, 15 percent, or \$15 per month, under Public, No. 2, Seventy-third Congress, 10 percent, or \$8 per month.

I want to know if there is any man here in the Senate who thinks it is extravagant to pay that man \$15 a month. Is there anyone here in this Congress who takes that position—a Congress many of whose Members voted to cancel the debt to the foreign governments; a Congress many of whose Members voted for the Hoover moratorium, costing the Federal Treasury \$250,000,000, for the benefit of the banks of London and New York; a Congress many of whose Members have voted by the hundreds of millions and the billions of dollars to take the money of the Federal taxpayers out of the Treasury and give it to corporations, many of which made more millions during the war when these boys were suffering in the trenches?

This is a typical case out of the 50. So far as I am concerned, I want the RECORD to show that I am in favor of economy, and I will go as far as anyone in economy; but when we come to take it out of these men that we sent into the trenches to be shot up, and who were shot up, I am in favor of no economy at all. I am absolutely opposed to cutting the compensation of any wounded veteran of the World War, or of any other war.

Mr. CUTTING. Mr. President, I hesitate to say anything about the legislation which is now under consideration, because there is very little to add to the detailed speech which the Senator from Oregon [Mr. STEIWER] made the other day. In view, however, of some of the misstatements which have been made in the press, and in view of some that have been made on the floor of this Chamber, I think it is fair to submit 2 or 3 general considerations which ought to be present in the mind of every Senator before he votes on these amendments.

In the first place, what is the basis for soldiers' compensation?

Since the foundation of this country we have adopted the policy that the Government should take care of those who had been injured in its military or naval service. It is a policy which, of course, did not originate in this country. It has been adopted by every civilized nation in the world.

When, as in the World War, by congressional action we draft into the service of the United States and send abroad into the field a certain proportion of the manhood of the country, we are under an even more stringent obligation than that which applies to men who volunteered their services, taking their own chances. The Congress of the United States is directly responsible for every injury incurred by every veteran whom it drafted into the service in 1917 and 1918.

Congress was generous with these men when they came back. The people of the United States wished them to be generous; and the early legislation passed at this Capitol was legislation of a most liberal character. It was the administration of the various laws passed by Congress which came more and more into disrepute.

Instead of giving the benefit of the doubt to individual cases of veterans, as was provided in the original legislation, the Veterans' Bureau gradually adopted a policy of paring expenses, of resolving a doubt against the veteran and in favor of the Government. As a result of that policy, Congress felt obliged to amend the original act on repeated occasions to correct some manifest injustice applying to individual cases.

Each time the Congress amended the original act it took care of an individual injustice, and inevitably in many cases allowed a certain number of unworthy applicants to appear upon the rolls.

One of the amendments adopted very early in the history of this legislation was that dealing with presumptions—an amendment which has been thoroughly described today by the Senator from West Virginia [Mr. HATFIELD], himself an eminent physician.

The reason for that legislation was that in cases of tuberculosis, of nervous disorder, of cancer, of many other diseases of similar character, it was impossible for anyone to prove his service connection, although, by a liberal interpretation of the original clause giving the service man the benefit of the doubt, he should have been included on the original roll.

Mr. HAYDEN. Mr. President, will the Senator yield?

Mr. CUTTING. I yield to the Senator from Arizona.

Mr. HAYDEN. I served as a member of the Committee on World War Veterans' Legislation in the House of Representatives when the presumptive clause was debated and enacted. I can state authoritatively to the Senate that it was not done casually or from a wanton desire to add expense to the Treasury, but that we took the very best medical testimony obtainable, and the law which presumes the service origin of certain disabilities is based upon that testimony.

Mr. CUTTING. I thank the Senator from Arizona. He states the facts with entire accuracy.

The Senator from West Virginia [Mr. HATFIELD] said this morning, and has repeatedly testified before committees of this body, that the presumption of 5 years was medically not long enough; that it should have been 10 years. Some presumption obviously was necessary; and in response to that necessity, as the Senator from Arizona says, Congress adopted that method, not casually but deliberately, and with consideration of every factor involved.

In 1930 we found there were still a great many veterans who had suffered in the service who were not able to prove their service connection. It was then a question as to the best way to take care of them.

I opposed the bill which was ultimately adopted on the suggestion of the Senator from Pennsylvania [Mr. REED], providing that men could be placed on the rolls without showing that their disabilities had service connection. I do not wish to enter into any controversy on this question, because it was a question of opinion as to the best method for handling these cases. But as a practical matter of history, the adoption of that amendment brought on the rolls a great many cases which were, theoretically at least, indefensible. Not all the people admitted to the rolls were indefensible cases, as the press has led so many to believe. A great many of them were cases whose disability was

directly due to the service, but who were unable to prove it by a method satisfactory to the Bureau. In addition, of course, there were some undeserving cases.

During the last year the country has been bombarded by a series of articles by special writers digging out the undeserving cases, some of them coming under this disability allowance clause, others coming under the disabled emergency officers' retirement law, and these writers have published those facts to the country as though those cases were typical, although I think I am conservative in saying that there was not 1 case in 20 on the rolls which was not more than justified, if the history of the individual were carefully enough looked into.

As a result, a sentiment was built up against the veterans as a class. When the economy bill was before the Senate the average member of the public believed two things which were absolutely inconsistent with each other: First, that the Economy Act would strike from the rolls only cases which were not connected with the service, and, secondly, that the Economy Act would save between four and five hundred million dollars.

Both those things could not be true. Not more than perhaps a hundred and twenty-five million dollars was saved by cutting out the non-service-connected cases.

Mr. WALSH. Mr. President, will the Senator yield?

Mr. CUTTING. I yield.

Mr. WALSH. Does not the Senator think the fact that while the Economy Act was pending before the Congress the banks of the country were closed had a very great influence on the momentum and support given to that measure?

Mr. CUTTING. I am sure of it. I am not trying to allocate blame to Members of this body or to anyone outside of this body. I am trying to explain what happened.

The bill itself was camouflaged as a bill to maintain the credit of the United States. A few days ago the distinguished majority floor leader, the Senator from Arkansas [Mr. ROBINSON], stated that everyone knew that a bill of that sort was necessary.

I deny the necessity for that legislation. I do not believe that the credit of the United States was enhanced in any way by the passage of that measure. The credit of the United States, in the last analysis, depends on the labor, the production, and the purchasing power of the individual citizenship of the United States, and on nothing else. Even if these cuts had not been made in war-connected cases, even if they had been justly made, nevertheless, the decrease in purchasing power involved was to that extent one more factor in intensifying the depression in this country.

Many Senators no doubt thought that we were merely rectifying some excessive favoritism which had been given to the veterans in the past. The distinguished Senator from Ohio [Mr. FESS], in response to a query the other day by the Senator from Wisconsin [Mr. LA FOLLETTE], spoke as follows:

The Senator from Wisconsin has said that we were told over and over that \$400,000,000 would be saved. I do not think that impressed anybody in the Senate when that sort of talk was being indulged in at the time the economy bill was under consideration, because none of us could see where that amount of money could be saved.

I am sure other Senators took the same point of view. In other words, the administration made two statements, one that they were going to save between four and five hundred million dollars, a specific statement, and that statement apparently Senators did not believe; and the other, a vague statement, that the law would be administered with justice and sympathy, and with due consideration for the interest of the veterans. Senators believed the vague pledge and disbelieved the specific one. I hope that they will not fall into the same error this afternoon.

The Baltimore Sun, one of the great newspapers of the country, contains this morning a leading editorial entitled "Veterans." I will not quote it in full, and I merely mention it because it is typical of the confusion of thought into which the country has fallen on this issue. It begins by saying:

Senators and Representatives who have set out to fight the President's reorganization of the system of veterans' payments do not seem to be aware of what it is all about. To judge by their critical blasts on the floors of the two Houses or in statements to the newspapers, the President is a ruthless fellow who has undertaken to deprive hundreds of thousands of indigent but deserving heroes of their only sustenance.

This sort of talk is all very well for campaign purposes, but it is not the way things really are.

Congressional disregard for the unorganized majority of taxpayers was responsible for the pension system in the first instance.

It goes on to say that Members of Congress are not aware of the difference between cases connected with the service and cases which were not connected with the service, and that while all the talk on the floor of the Senate had been in favor of the battle-scarred veterans, yet the real interest is to get back on the rolls men whose disabilities were not connected with the service in any respect. Says the article:

The congressional breast beaters ought not to be allowed to defeat this imperative reform merely to curry political favor with a few privilege seekers. They ought not to be allowed to masquerade as champions of the battle-scarred soldiers when, as a matter of plain fact, they are merely urging the perpetuation of a system of disgraceful abuses in which the battle-scarred veterans have no part.

Mr. President, the distinction which is habitually made between service-connected and non-service-connected cases is in many respects a misleading one. No human being in the world is able to say in any particular case, unless there is an overwhelming amount of specific proof, as to whether a particular disease was or was not actually caused by the service. The cases which have been on the rolls cannot be divided into service-connected and non-service-connected.

The only real distinction is with regard to the degree of proof. Cases can be divided into three classes: First, those who could prove their service connection, and by the workings of the Veterans' Administration that practically meant those who could prove service connection beyond a reasonable doubt; second, those who could not prove service connection, but whose service connection was presumed by reason of symptoms occurring within a certain space of time; and, third, those who were not required to prove service connection at all. In the latter class were included many most worthy cases who simply were unable to furnish irrefutable proof. Practically the entire mass of the veterans of the Spanish-American War came under this third class. They did not have to prove service connection, and, as the President has stated in one of his regulations, it is practically impossible in most cases for them to do so. Those are the cases which the critic of the old veteran's law asked us to leave off the rolls permanently.

The first class of cases, those who could prove service connection under the old law, are the only ones taken care of by the amendment which I originally offered and which the distinguished Senator from Arkansas has accused me of repudiating now that the Senate has voted for a more substantial measure of justice. It included a very small proportion of those deserving cases who have been cut off the rolls under the regulations issued since the middle of March. That particular group was a group which the Senate was assured before it voted on the Economy Act would be retained on the rolls.

As I stated a moment ago, during the speech of the Senator from Massachusetts [Mr. WALSH], that Senator, in offering his amendment, stated as follows:

It has been assumed that the President would make no cut and no reduction of any appreciable amount in connection with the veteran whose compensation is based upon disability as the result of direct service. Therefore, what we are doing is merely to remove any possibility of discretionary action by the President. If he had it, he has practically said he would not disturb the rates, anyway. We are simply incorporating in the bill the provision that this group of veterans—

Mr. President, that was very definite language. I know that the Senator from Massachusetts was in the best of faith in making that statement.

The amendment which the Senator offered, however, through the interpretation given to it, was not administered in the way which the Senator anticipated, and which every

other Senator on this floor relying on the statement of the Senator believed it would be administered.

Mr. WALSH. The Senator's statement is correct.

Mr. CUTTING. The amendment which I originally offered was prepared hastily, because it was a question of announcing 1 day in advance my intention of moving a suspension of the rules. It attempted to take care of that particular leak which had been left in the amendment which the Senator from Massachusetts proposed to the Economy Act, and which in practice nullified the intent of his amendment.

Mr. WALSH. Mr. President, the provision, "except as to rates", which was incorporated in my amendment for the purpose of preventing the keeping on the rolls of veterans whose disabilities had been modified or changed, and therefore whose rates ought to have been changed, was incorporated in order to give power to change the whole rate structure.

Mr. CUTTING. I quite understand; and the difficulty with all this legislation is that whenever there is a loophole, we can count on the Veterans' Administration using it, regardless of anything which has been said on the floor of the Senate. The Veterans' Administration interpreted the Senator's amendment. The Senate did not give any particular consideration to the Senator's amendment. The Senate gave consideration to the Senator's speech. So we must be careful that the actual amendments we adopt in their language, including every adjective and every adverb, be susceptible of one interpretation, and one interpretation only. If that be not done, it will make very little difference what anyone of us says on the floor of the Senate. We may give our own interpretation of our amendments, but we can be sure that the Veterans' Administration will pay no attention at all to such interpretations.

I think that a 25-percent cut is too great a cut in service-connected cases. The Senate has already voted on that question by a majority of, I think, 51 to 25, and it is too late to discuss that now. The amount of the cut, however, is less important to me personally than the keeping on the rolls of the men who ought to be there, no matter in which war they may have served.

We have been assured that deserving cases will be kept on the rolls, but no such assurance has been given to this body at this time—half as definite as was the assurance given by the Senator from Massachusetts in March—so I hope that this body will carefully examine every amendment in detail before it adopts it. My own belief is that the old regulations under which the Veterans' Administration was operating before March were on the whole a very sound set of regulations. I think the mistakes in them were very few in number. I am speaking now of the law as passed by Congress rather than of its administration. Here (exhibiting) is the old law. That is the size of it. That is the law which we repealed completely in March, wiping out every word of it, and there is not a word of it which was not put into the statute for some real definite purpose.

Now, we are told we must not be hasty; that we must not try to legislate on the floor of the Senate; that maybe we will hurt the regulations which have been drawn up; that maybe we will hurt the Economy Act; that maybe we will undo all the good which has been done.

Mr. President, I am trying to be temperate in my language when I say that in my judgment, the Economy Act was drawn up so as to exclude from the rolls every individual veteran who could possibly be excluded, and that, no matter how we liberalize that law, no matter how faulty a liberalizing amendment may be, it cannot help but be an improvement on the language of the Economy Act as we passed it in March. So I hope Senators will not be too fearful that some amendment which may be adopted on this floor will make a terrible gap in the wall of the present Economy Act, which excludes, and purposely excludes, so many deserving veterans from the rolls of the Government.

We have heard assurances as to what is to be done. I do not want to criticize those assurances, I hope some of them will turn out to be more definite than they seem to be as I

read them. I am sorry the Senator from South Carolina [Mr. BYRNES] is not in the Chamber, but I shall read his remarks so as to be sure that I do not misquote him. This is the statement which he made day before yesterday, May 31:

The President of the United States, having had called to his attention by many ex-service men the effect of the regulations, has called the officials of the administration into conference, and has stated that the regulations, insofar as they provide the rates of compensation originally announced, will not be put into effect on July 1, but that certainly, on the contrary, as to men suffering disabilities of service origin, those rates of compensation are to be increased. A final determination as to the increase has not been reached so that it could be published today, but within the next few days it will be published, and the rates which have aroused the antagonism of Senators will never be put into effect insofar as the ex-service men suffering service-connected disabilities are concerned.

Mr. BYRNES entered the Chamber.

Mr. CUTTING. That pledge—I hope the Senator from South Carolina will correct me if I am in error—so far applies only to the service-connected cases, meaning the cases which under the new regulations are service-connected and not including those which were service-connected by presumption under the old regulations.

Mr. BYRNES. Mr. President—

The PRESIDING OFFICER (Mr. CLARK in the chair). Does the Senator from New Mexico yield to the Senator from South Carolina?

Mr. CUTTING. I yield.

Mr. BYRNES. The Senator is correct. I specifically limited it to the information that I had definitely, and today I added to it the definite information I had as to the Spanish-American War veterans.

Mr. CUTTING. Yes; I am going to come to that in a moment.

That is a pledge, merely with regard to that particular class of cases, that the cuts made will not go into effect on July 1, but that sooner or later some change will be made in the status of that particular group of ex-service men.

The Senator from South Carolina proceeded, and said:

The President has appointed a committee, several members of which have been selected, which committee is to visit every hospital in the country and to investigate such charges as have been made today upon the floor of the Senate as to the treatment of men and as to the facilities available in the hospitals of the country. His instructions to the committee will be to report to him so that if any injustice is done to any man by any of those who are in charge of the hospitals of the Nation, that injustice will be remedied and the facilities of the hospitals will be made available and used.

That is the second promise; that a committee is going to be appointed which will go out and study all these cases, and if the committee finds any hardships anywhere they will come back and report them, and then, at some time or other, perhaps in 1945 or perhaps in 1950, those injustices will be rectified.

Then the Senator from South Carolina went on to say:

Furthermore, by direction of the President, a review is now being made of all those cases wherein the Veterans' Administration has held that the cases came within the class of presumptively service-connected, in order that no injustice may be done to any man who was removed from the rolls because he was only service-connected by presumption.

In other words, the third promise is that the Veterans' Administration, which itself is responsible for all the injustices which have been done, is going to review those cases, is going to review its own work, and perhaps in some case or other decide that it committed a serious injustice by the manner in which it administered the law.

In addition to that—

Said the Senator from South Carolina—

in this appropriation bill there is carried sufficient money to pay for the increased compensation that will be paid as the result of the action of the President, and when the Congress meets in January next any deficiency that is necessary in order to pay the expenses of the Veterans' Administration for the balance of the fiscal year can be provided.

Here, Mr. President, I think we come back to the same sort of situation which confronted the Congress in March.

I will quote from the Senator from South Carolina a little further:

We cannot possibly give the proper consideration to amendments offered here upon the floor of the Senate for such a purpose. Whenever we have attempted any such thing the result has been disastrous. We cannot possibly do justice when an amendment is offered to provide that there shall be no cut exceeding 25 percent for service-origin cases, because under the rates tentatively agreed upon service-origin cases will be reduced not more than 18 or 20 percent on the average, which is less than the prevailing rate.

In other words, the Senator from South Carolina states, in the first place, that there will be no reduction in these service-connected cases of more than 18 or 20 percent on an average, and, on the other hand, that there is enough money provided in this appropriation bill to take care of them all. Now, all I can say is—

Mr. BYRNES. I said there was certainly enough money to take care of them until Congress shall meet in January. I do not know whether it is in the Record or not, but certainly that was in my statement. I did not intend to mean that it was for the fiscal year. What I said I will say to the gentleman from New Mexico, was that it would not be necessary to add to the amount, because the total amount would be sufficient to pay the compensation until January, and then when the figures had been definitely ascertained we could provide whatever amount was necessary.

Mr. CUTTING. I am glad to have that explanation from the Senator.

Mr. BYRNES. That is what I had in mind.

Mr. CUTTING. The Senator did mention the fact that there would be a deficiency bill, as I quoted him just now, but certainly in this bill there is not a sufficient appropriation to take care of that increased compensation.

Mr. BYRNES. I agree to that.

Mr. CUTTING. I wish to call the attention of the Senator to the language of the Economy Act, which in its first sentence provides a limitation on the rest of the appropriation.

Mr. BYRNES. Mr. President—

The PRESIDING OFFICER. Does the Senator from New Mexico yield further to the Senator from South Carolina?

Mr. CUTTING. I yield.

Mr. BYRNES. I am familiar with that act, and the same language is in the Budget law, but the interpretation is such that it would not really affect what the Senator has in mind.

Mr. CUTTING. I am glad to have that assurance from the Senator, because we want to be very sure about all these things in advance.

Mr. BYRNES. I think we should be.

Mr. CUTTING. Mr. President, I think those were the three main points that the Senator from South Carolina made the other day.

This morning, as I understood him, he said that the President sometime ago had announced that there would be a review of all these cases. I assume that the Senator referred to the promise which the President made to Commander Johnson, of the American Legion.

Mr. BYRNES. Yes.

Mr. CUTTING. Then the Senator said that 2 days ago he himself had stated that service-connected cases would not be cut on an average of more than 18 or 20 percent, although they would be rated on a different basis, and he went on to add that, while no final determination had been reached about the Spanish-American War veterans, the minimum would be \$15 per month. Is that correct?

Mr. BYRNES. Yes; that statement is correct.

Mr. CUTTING. And that no determination had been made as to the presumptive cases, but that consideration was being given that question, and some announcement would be made—I think the Senator said before the 1st of July.

Mr. BYRNES. I have no definite information, but the impression made upon me is that it would be made long before the 1st of July.

Mr. WALSH. Mr. President, are the presumptive cases Spanish-American War cases or World War cases?

Mr. CUTTING. I was referring to World War cases. Of course, the Spanish-American War cases are also presumptive cases under the new regulations. I do not know whether that was specifically included in the statement made by the Senator from South Carolina.

Mr. WALSH. I notice that the language was used following a reference to the Spanish-American War veterans' cases, and it seems to me the inference to be drawn is that it relates to the presumptive Spanish-American War cases. Does the Senator think it applies also to World War cases?

Mr. CUTTING. I would prefer to have the Senator ask that question of the Senator from South Carolina, because it was his statement to which I was referring. I presume that he included the World War presumptive cases.

Mr. WALSH. Was the reference to Spanish-American War cases, placing a minimum of \$15, only to Spanish-American War cases that are now under the regulations entitled to compensation?

Mr. CUTTING. So I understood, but I hope the Senator will ask that question of the Senator from South Carolina.

Mr. WALSH. I wish the Senator from South Carolina would give me that information.

Mr. BYRNES. While I did not follow the colloquy entirely, if the Senator was referring to Spanish-American War veterans, my information was that, with reference to the amendment introduced by the Senator from Washington [Mr. DILL], which sought to provide a pension and a different status for those over 62, that, regardless of the disability, the minimum rate to be paid to any Spanish-American War veteran would be \$15, and where there was a Spanish-American War veteran over 62 suffering from disability, that the amount of compensation would be greater, but the exact scale of increase had not been determined.

Mr. WALSH. Does the Senator understand that the Spanish-American War veterans who are now eliminated under the regulations will be restored to the list?

Mr. BYRNES. No.

Mr. WALSH. I do not understand that either. It is simply that instead of the minimum of \$6 which is now provided, certain of them will be increased to \$15.

Mr. BYRNES. That is it.

Mr. JOHNSON. Mr. President, it is utterly impossible for us to hear what is transpiring. We are all intensely interested in whatever it is that may be said by the Senator from Massachusetts and the Senator from South Carolina. I ask for order in the Chamber.

The PRESIDING OFFICER. Senators will please be in order.

Mr. WALSH. I understand from what the Senator from South Carolina stated that the raising of the minimum from \$6 to \$15 applies only to Spanish War veterans who were under the regulations on the list to receive pensions?

Mr. CUTTING. That is quite true.

Mr. WALSH. We ought to find out from the Senator also what class of veterans is meant by the second statement read by the Senator from New Mexico. Will he read it again for the benefit of the Senator from South Carolina?

Mr. CUTTING. I quoted the Senator from South Carolina as saying that the presumptive cases were being given consideration, and that an announcement would be made sometime in the near future. I assume the Senator from South Carolina was referring to World War veterans whose disability had previously been connected with the service by reason of presumption.

Mr. BYRNES. My information was that as to presumptive cases of either class, as to every other regulation affecting widows and every regulation that has been issued, they are being reviewed by the President now with the idea of making changes in them.

Mr. WALSH. With the idea possibly of a new policy?

Mr. BYRNES. What policy would be adopted or whether there would be any change, or whether a change in the rate only, I am not able to say.

Mr. WALSH. Of course, the two classes are now all off the list, and whether they should be restored in whole or in part is being studied.

Mr. BYRNES. Of course, the question as to whether presumptive cases should be returned to the list just as they were on the list at the time of the passage of the Economy Act and returned to the amount of compensation then paid, my information was that it is not in contemplation that they should be returned to the same scale of compensation as the battle-wounded veterans.

Mr. WALSH. Or even so far as the Senator knows they may never be returned to the list under the regulations?

Mr. BYRNES. That has not been determined, according to my information.

Mr. WALSH. Both subjects are still subject to review.

Mr. CUTTING. Mr. President, I appreciate very much this interruption because it clarifies the whole situation in my mind and I am sure in the mind of every other Senator. I now say with all due deference to the Senator from South Carolina that I think there is nothing in any of those pledges which should prevent Senators from going ahead with their duty and legislating in accordance with the dictates of their consciences.

What do these pledges amount to? First, a review by the Veterans' Administration of the justice or injustice of their own acts. Second, the appointment of a committee which is to go all over the country and investigate individual cases and report back at some time in the distant future. The Senator from Maryland [Mr. TYDINGS] added to that statement that the President had assured him that many members of the committee would be members of the American Legion. I submit that that makes very little difference. We could easily find members of the American Legion who are in such financial circumstances that they are not particularly interested in the welfare of the disabled. The distinguished Director of the Budget, Mr. Lewis Douglas, is a member of the American Legion. So is the Veterans' Administrator, General Hines. I am not singling out these men for criticism. I listened to the Senator from Massachusetts [Mr. WALSH] the other day when he stated he thought General Hines, personally, is not in sympathy with some of the cuts made. That is not the point at issue. These men, by reason of the regulations which have been issued, are regarded by the ex-service men throughout the Nation today as the two most rabid enemies they have in the world. The veterans are not going to pay any attention to a promise that the injustices which have been done will be rectified by those men or by any of their agents.

When we come here and say that a committee is to go around the country investigating individual cases, are we not getting back to the Hoover policy which Members on the other side of the aisle so repeatedly ridiculed? Whenever anything had to be done the former President appointed a commission to go out and investigate, and when the commission reported its conclusions, the report in several volumes would be placed in a pigeonhole somewhere in the files of the Executive offices.

That is not what the veterans are asking today. It is now 3 weeks since the commander of the American Legion visited the President. The assurance was made at that time that in the immediate future these horrible injustices of which Senators have been complaining would be rectified by administrative regulation. Do Senators realize how long it would take to correct such injustices as we have heard about on the floor of this Chamber? Just about 20 minutes. If we want a change made in any Veterans' Administration law or any veterans' regulation, and if we want it drafted in legal form, we can get an expert from the Bureau and I will guarantee it will not take 20 minutes' time to formulate the wording. There is no excuse for the delay that has occurred.

When promises are held before us, let us remember that these men are dying and that we have to act now because the Congress may be adjourned by the time the 1st of July comes, and that is the date when most of these regulations are going into effect. Even according to the promise of the Senator from South Carolina [Mr. BYRNES] the only cases

which will be exempted after the 1st of July will be the small group of cases whose service connection has still been maintained in spite of the provisions of the Economy Act. So we have to act now if we want to save any of these men. We have to know definitely what the Congress wants to do. If it wants to let these men die, then it should say so.

Mr. President, I come from a State in which about 5,000 so-called "presumptive cases" will be thrown out on the streets on the 1st of July. People say, "They could not prove their service connection." Some of them could not. But as human beings, these men who served their country, these men who cannot rise from the bed of pain and sickness, are just as deserving of consideration as the men who lost both legs or both arms. In every veterans' hospital in my State, and the same applies to my sister State of Arizona, there have been catastrophic epidemics of hemorrhages and there have been suicides, and the Senator from Arizona [Mr. ASHURST] knows it. That situation will continue. Men are going out of their minds through the fear which comes from what is going to happen to them on the 1st of July.

Mr. President, since the veterans' regulations were issued on the 31st of March I doubt if I have had a good night's sleep. I have had these cases brought to me day after day by the score and by the hundred. I am not going to read any of them to the Senate. Not one of them is any more pitiful than those which have been brought to the attention of the Senate by the Senator from Michigan [Mr. VANDENBERG] and by other distinguished Senators. They are the same kind. That same condition applies to every State in the Union. We must not leave here until we have done justice to them. We cannot salve our own consciences by believing that some way or other somewhere else some man will stand up and save these people we were not willing to save.

I think Senators realize that I am speaking with no partisan purpose in view. I certainly do not wish that any word I have said should be interpreted as a personal criticism of the President of the United States. I suppose I have known Franklin D. Roosevelt longer than any man on this floor. I have known him nearly 40 years. I regard him with the highest affection and admiration. I deserted my own party affiliations in order to support him for the Presidency. I admire the courage he has displayed in handling the affairs of the country in a time of need, even though I may disagree with some of the details of his program.

Mr. President, if all these cases were coming before Franklin D. Roosevelt, we would not have to worry about them. But they are not coming before Franklin D. Roosevelt. They are coming before the President of the United States, and when we say the President of the United States we are not talking about an individual. We are talking about a machine. We are talking about some clerk down in some bureau, somebody who is issuing a regulation or carrying out a precedent laid down by some other regulation made by some other clerk with no more authority than he has. We cannot rely on that sort of thing. We have been delaying here too long. Let us do our duty this afternoon and rectify this law insofar as we believe it ought to be rectified. That is our duty. We cannot shirk it. We cannot talk about the President of the United States. We cannot talk about partisan considerations as if they had anything to do with this question.

There is, of course, a definite question when we vote on any particular amendment as to whether it is better or worse than the language for which it is substituted. My own belief is that the amendment which will be offered by the Senator from Oregon [Mr. STEIWER] is the fairest, the most carefully constructed piece of legislation that has so far been suggested on this floor.

I know it is far better than the amendment which I prepared and introduced hastily the other day when there seemed to be little hope that the Senate would take the slightest interest in this question or bring it up for consideration at all. We have gone beyond that. The Senate has shown very clearly today that it is intensely interested in

the subject and that it proposes to deal with it thoroughly and courageously and in accordance with the dictates of the consciences of its Members.

Whether or not Senators agree with me that the amendment the Senator from Oregon is going to introduce is, on the whole, the fairest of the various proposals which have been made, the general purpose of all these proposals is the same. Let us go ahead and vote. Then when we go home we can at least say to our constituents that as far as we are concerned we did what we considered our duty to those who served this country in its hour of need.

The PRESIDING OFFICER. The question is on the amendment, in the nature of a substitute, offered by the Senator from Texas [Mr. CONNALLY] to the amendment of the Senator from Florida [Mr. TRAMMELL].

Mr. CONNALLY, Mr. LONG, and other Senators called for the yeas and nays, and they were ordered.

Mr. CONNALLY. Mr. President, I ask to have the amendment stated.

The PRESIDING OFFICER. Without objection, the amendment will be restated.

The legislative clerk read as follows:

Notwithstanding any of the provisions of the act approved March 20, 1933, entitled "An act to maintain the credit of the United States Government", in no event shall World War service-connected disability compensation of any veteran, or the pension of any veteran of a war prior to the World War, or the pension of any widow and/or dependents of such veterans, be reduced more than 25 percent of the rate being received prior to March 15, 1933.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LOGAN (when his name was called). I have a general pair with the junior Senator from Pennsylvania [Mr. DAVIS], who is absent. I transfer that pair to the senior Senator from Nevada [Mr. PITTMAN], and will vote. I vote "yea."

Mr. PATTERSON (when his name was called). I have a general pair with the junior Senator from New York [Mr. WAGNER], who is necessarily absent from the Chamber. I am informed that on this question he would vote "yea." If I were at liberty to vote, I should vote "nay." I withhold my vote.

The roll call was concluded.

Mr. HEBERT (after having voted in the affirmative). I have a general pair with the Senator from Illinois [Mr. LEWIS], who if present would, as I understand, vote as I have voted. Therefore I shall permit my vote to stand.

I desire to announce the general pair of the Senator from Vermont [Mr. AUSTIN] and the Senator from Virginia [Mr. GLASS]. I do not know how the Senator from Vermont would vote on this question.

I also wish to announce the general pair of the Senator from Delaware [Mr. HASTINGS] and the Senator from North Carolina [Mr. BAILEY]. I do not know how the Senator from Delaware would vote on this question.

Mr. KENDRICK. I desire to announce that the following Senators are necessarily detained from the Senate on official business: The Senator from Illinois [Mr. LEWIS], the Senator from Nevada [Mr. PITTMAN], the Senator from South Carolina [Mr. SMITH], the Senator from North Carolina [Mr. BAILEY], the Senator from Virginia [Mr. GLASS], and the Senator from New York [Mr. WAGNER].

The legislative clerk recapitulated the vote.

Mr. CLARK. Mr. President, how am I recorded?

The VICE PRESIDENT. As voting in the affirmative.

Mr. CLARK. I desire to change my vote from "yea" to "nay."

The roll call resulted—yeas 42, nays 42, as follows:

YEAS—42

Adams	Coolidge	Hebert	Russell
Ashurst	Dieterich	Kendrick	Sheppard
Bankhead	Dill	King	Stephens
Barkley	Duffy	Logan	Thomas, Okla.
Bratton	Erickson	Lonergan	Thomas, Utah
Brown	Fess	McAdoo	Thompson
Bulkeley	Fletcher	McGill	Tydings
Bulow	George	McNary	Vandenberg
Byrd	Gore	Murphy	Walsh
Byrnes	Harrison	Pope	
Connally	Hayden	Robinson, Ark.	

NAYS—42

Bachman	Cutting	Long	Schall
Barbour	Dale	McCarran	Shipstead
Black	Dickinson	McKellar	Steiwer
Bone	Frazier	Metcalf	Townsend
Borah	Goldsborough	Neely	Trammell
Capper	Hale	Norris	Van Nuys
Caraway	Hatfield	Nye	Walcott
Carey	Johnson	Overton	Wheeler
Clark	Kean	Reed	White
Copeland	Keyes	Reynolds	
Costigan	La Follette	Robinson, Ind.	

NOT VOTING—12

Austin	Davis	Lewis	Pittman
Bailey	Glass	Norbeck	Smith
Couzens	Hastings	Patterson	Wagner

The VICE PRESIDENT. On this question the yeas are 42, the nays are 42. The Chair votes "yea", and the amendment is agreed to.

Mr. LONG. Mr. President, a point of order.

The VICE PRESIDENT. The Senator will state it.

Mr. LONG. Would not the amendment fail on a tie vote?

The VICE PRESIDENT. It would.

Mr. LONG. Then the Chair would not have any vote, would he?

The VICE PRESIDENT. He has one, and he has already cast it. [Laughter.]

The question is on agreeing to the amendment of the Senator from Florida [Mr. TRAMMELL], as amended.

The amendment, as amended, was agreed to.

Mr. McKELLAR. Mr. President, I offer the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. It is proposed to insert, at the proper place in the bill, the following:

Section 5 of the Reconstruction Finance Corporation Act, approved January 22, 1932, is amended by adding after the words "agricultural credit corporation", in the eighth line of said section the following: "producers of finished articles, from raw or unmanufactured materials, the products of the soil or forest."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Tennessee.

Mr. McKELLAR. Mr. President, this amendment adds to the list of those who may borrow from the Reconstruction Finance Corporation; and I want to read the addition that it will make if agreed to:

Producers of finished articles, from raw or unmanufactured materials, the products of the soil or forest.

It is easily seen just what that means. It will allow certain companies—for instance, cotton mills, flour mills, and other concerns which produce or manufacture articles from raw or unmanufactured materials the products of the soil or forest—to borrow from the Reconstruction Finance Corporation.

The truth of the matter is that these companies can no longer borrow money under our Federal Reserve system of banking. They ought to be permitted to do so. They will have to go into bankruptcy if they cannot, thus throwing out of employment thousands of people who are now employed. It is my judgment that the borrowing powers are too restricted now.

If we allow banks, trust companies, insurance companies, and other companies, many of which employ very few people, to borrow from the Reconstruction Finance Corporation, certainly those companies which employ laborers, which employ thousands of people all the time, and which will no doubt go into bankruptcy unless they are able to get additional money, ought to be added to the list.

Mr. BARKLEY. Mr. President, a lot of those to whom the Reconstruction Finance Corporation have loaned money went into bankruptcy after they got the money, did they not?

Mr. McKELLAR. Not these.

Mr. BARKLEY. No; but others.

Mr. McKELLAR. I do not know to what extent banks and insurance companies and others have gone into bankruptcy. Some of them no doubt have, but if it is right to lend money to banks and to trust companies and to mortgage companies and to insurance companies, which do not employ a great number of people, I see no reason in the

world why these other establishments—for example, cotton mills, flour mills, or other concerns—which employ large numbers of men, should not be allowed to have the privilege of borrowing from this institution.

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. McKELLAR. I yield to the Senator.

Mr. RUSSELL. The Senator from Tennessee has very truthfully just stated that business enterprises of this nature have been practically debarred from getting credit from the banks, despite the help extended to the banks by the Government and all the relief efforts which have been made to enable the banks to extend more credit.

Mr. McKELLAR. Mr. President, the Senator from Georgia is exactly right. These concerns have been barred from obtaining any credit from the banks. They are in the hardest kind of circumstances. They keep more people employed than all these companies which have been favored heretofore, and in order to keep them going we must give them the right to borrow from the Reconstruction Finance Corporation.

Mr. RUSSELL. Mr. President, will the Senator yield further?

Mr. McKELLAR. I yield.

Mr. RUSSELL. The Senator from Tennessee might also point out that if something along this line is not done there will be no market for farm products in this country.

Mr. McKELLAR. It is very hard to see how there will be. I think the Senator is exactly right.

Mr. TYDINGS. Mr. President, did I understand the Senator to say that unless they could borrow some money from the Government for these plants they would go into bankruptcy?

Mr. McKELLAR. I say this, they have not the money with which to continue in business, and, of course, it is just a question of time when they must fail if they do not have the money with which to conduct their business.

Mr. TYDINGS. Without taking exception to the Senator's amendment, we are lending not our own money but the taxpayers' money, and it occurs to me that if a concern is likely to go into bankruptcy at all, we had better not lend it any money.

Mr. McKELLAR. Mr. President, that would be true of the banks and the trust companies and the mortgage companies and other companies to which we are now lending money.

Mr. ADAMS. Mr. President, will the Senator yield?

Mr. McKELLAR. I yield.

Mr. ADAMS. I wanted to inquire whether the Senator's amendment is not broad enough practically to cover every manufacturing plant in the country.

Mr. McKELLAR. I think not.

Mr. ADAMS. What would be excluded?

Mr. McKELLAR. I have not examined as to the several companies which have been excluded.

Mr. LA FOLLETTE. Mr. President, I make the point of order that the Senate is not in order, and that we cannot hear what is going on.

The VICE PRESIDENT. The point of order is well taken. Senators desiring to have conferences will please retire from the Chamber.

Mr. McKELLAR. Mr. President, I do not want to take up the time of the Senate. It seems to me that this addition to the Reconstruction Finance Corporation's powers should be permitted. The loans must be well collateralized. That Corporation cannot lend money to these companies unless they have good security to offer. There will be no question of security, but where a company of the kind mentioned here has proper security it ought to have the right in times like these, when it cannot get the money from the banks, to go before the Reconstruction Finance Corporation and obtain the money. So I ask the Senate to agree to the amendment.

Mr. JOHNSON. Mr. President, will the Senator yield to me?

Mr. McKELLAR. I yield.

Mr. JOHNSON. I ask merely for information, because it was impossible to follow the debate on this side of the

Chamber a short time ago. For instance, the amendment provides that loans may be made to producers of finished articles from raw or unmanufactured materials or products of the soil or forests. What has the Senator in mind?

Mr. McKELLAR. Any article; for instance, manufactures from cotton, manufactures from grain, manufactures from fruits, and other manufactures which are from the forests or from the soil. It includes all such articles.

Mr. President, I ask that the amendment be agreed to.

Mr. BYRNES. Mr. President, I desire to make a point of order against the amendment. Notice was given by the Senator of his intention to move to suspend the rules.

The VICE PRESIDENT. The Chair understands the Senator from Tennessee has given notice of intention to make a motion to suspend the rules.

Mr. McKELLAR. Mr. President, I make the motion now.

The VICE PRESIDENT. The question is on agreeing to the motion to suspend rule XVI and proceed to consider the amendment offered by the Senator from Tennessee.

Mr. BYRNES. Mr. President, I desire to be heard on this motion. The Senate should understand what would be the effect of the amendment now offered by the Senator from Tennessee.

Regardless of what particular problem may be in the mind of the Senator from Tennessee the language of the amendment is that the Reconstruction Finance Corporation shall have the power to lend money to producers of finished articles from raw or unmanufactured materials or products of the soil or forests, so that it means that, as to a manufacturer producing anything, he will have the power to borrow from the Reconstruction Finance Corporation.

Mr. WALSH. Such as furniture, cotton textiles, and wool textiles?

Mr. BYRNES. The packers, and those producing manufactures from raw materials, like the United States Steel Co., the Bethlehem Steel Co., and similar organizations.

Mr. WALSH. If this amendment should be adopted, we might as well close the banks and turn the United States Government into a big bank.

Mr. BYRNES. It means nothing else. Before the Committee on Banking and Currency amendments are pending which seek to do what is proposed here. It is proposed to have the Reconstruction Finance Corporation authorized to lend money to States, counties, and cities, to finance all of the denominational colleges of the country, to finance the potash mines of the West, the cotton mills of the South, the packers, and all other manufacturers of any commodity. If we do that, we may as well realize that it means that it will take \$20,000,000,000.

Mr. TYDINGS. That would not start it.

Mr. BYRNES. The Senator from Maryland says that would not start it. If we should do that, surely there would come a day of reckoning. As long as the Christmas tree located down the Avenue has been opened to railroads, banks and trust companies, Members of the Senate have declared that it was hopeless to expect the collection of the amounts loaned. Because we made a mistake in passing the Reconstruction Finance Corporation Act, I want to know whether the Senate is going to say that because a man is a manufacturer he shall be given the right to come to the Reconstruction Finance Corporation and borrow directly. If he happens to be in some other business, that right is to be denied him. Some of the people are to be taxed in order that we may lend money to manufacturers of various commodities.

Mr. VANDENBERG. Mr. President, I inquire of the Senator whether this would include loans to manufacturers of conservation-camp toilet kits?

Mr. BYRNES. I do not know whether the Senator has been manufacturing kits or whether he is interested in that, but the amendment would include the manufacturer of any commodity.

Mr. McKELLAR. Mr. President, will the Senator yield to me?

Mr. BYRNES. I yield.

Mr. McKELLAR. The Senator says we would be helping the manufacturer, that we would be taking his part, that we would be legislating in his favor. Is not the same argument to be made against those to whom we are lending now? We are lending to banks, we are lending to trust companies, we are lending to mortgage companies, we are lending to insurance companies; and if so, why not treat all alike? Why not treat the business world in exactly the same way in which insurance companies and the banking world are treated? Why should we make fish of one and fowl of another? I should like to hear what the Senator has to say about that.

Mr. BYRNES. If the Senator from Tennessee will ever finish, he will hear what the Senator from South Carolina has to say about that.

The Senator from South Carolina believes that it was a mistake ever to enter into that activity, but because we made a mistake of authorizing loans to railroads and banks and trust companies is no reason why now we should say that we will go farther and make the mistake of lending to all the manufacturers of the country. When the Senator from Tennessee says it is not to help the manufacturers, I reply that whenever you lend money to me, you are helping me, and whenever you lend money to any man you help him. Whenever you tax an American citizen in order that you may be able to lend money to another American citizen, that first citizen must go out and work and labor and come and give of that money earned by his thought and his energy, so that it may be loaned to another man.

The Senator would have us provide that the Reconstruction Finance Corporation shall be authorized to lend to every corporation, individual, or partnership in the United States of America, and if we did that and established a bank here, certainly we would have to close all the banks of the country. It would be the end of any attempt to have a banking system, and it would put the Government into the business of lending money from Washington over all this Nation, with its 48 States and its 130,000,000 people, with absolutely no chance of its being done in a businesslike way.

I hope the motion to suspend the rules will not prevail.

Mr. McKELLAR. Mr. President, just one word in reply. The Senator says that we would do away with the banking business if we adopted my amendment. If we destroy the manufacturing interests of this country, especially those which manufacture articles from the soil, the banks will be out of business anyway. Why should we legislate here for the banks? The Senator from South Carolina voted for the Reconstruction Finance Corporation Act when it was passed. Why should we legislate for the banks and trust companies and railroads, and not lend money to others in a like situation? I do not think we ought to make fish of one and fowl of the other, and I sincerely hope that the rules may be suspended.

The VICE PRESIDENT. The question is on suspending the rules and proceeding to the consideration of the amendment offered by the Senator from Tennessee [Mr. McKELLAR]. [Putting the question.] Two thirds of the Senators present not having voted to suspend the rules, the motion is rejected.

Mr. WHEELER. Mr. President, I send to the desk an amendment, and ask that it be read by the clerk.

The VICE PRESIDENT. The clerk will report the amendment for the information of the Senate.

The CHIEF CLERK. On page 10, after line 17, to insert the following:

That the Civil Service Commission shall be empowered to investigate and conciliate differences between employees and their superiors in any of the Government departments or independent establishments, and to set up machinery within or without the departments and independent establishments for that purpose. To facilitate action, the head of each department or independent establishment shall, if requested by the Civil Service Commission, set up a board to make preliminary hearings and adjustments. The Commission shall have final power to enforce its decisions in every department and independent establishment of the Government and there shall be no appeal except to the President of the United States. To carry out the provisions of this act the Civil Service Commission shall be empowered to appoint a

liaison officer at a salary of \$6,000 per annum, who shall have had at least 15 years of service in the Federal classified civil service.

Mr. WHEELER. Mr. President, I will state briefly the purpose of the amendment. Under the provisions of the Economy Act thousands of employees who have been in the Government service for a long period of time will be laid off. In some instances grave injustice will undoubtedly be done. The amendment provides when such wholesale laying off of employees takes place by reason of the program under the Economy Act an employee who is unjustly laid off shall have the opportunity to have his case heard and to have an appeal. It will not cost the Government anything except \$6,000 that will be paid to the liaison officer, who will be some person who has been in the Government service for a long time.

I appreciate, Mr. President, that the amendment is subject to a point of order, but I was going to ask unanimous consent that it be taken up at this time, for the reason that it is exceedingly important that such employees as are about to be laid off be given an opportunity to appeal their cases and have a hearing upon them. My understanding is that this amendment has been worked out by the Civil Service Commission itself. I am likewise informed that it has the approval of the Director of the Budget and also has the approval of all the employees of the Government.

Mr. LONG. Mr. President, I am sorry the Senator has stated that this amendment has the approval of the Director of the Budget. What is wrong with it?

Mr. WHEELER. It not only has the approval of the Director of the Budget, but it likewise has the approval of the employees of the Government and their representatives, and it has the approval, as I understand, of the Civil Service Commission itself.

Mr. McKELLAR. Mr. President, will the Senator from Montana yield to me?

The PRESIDING OFFICER (Mr. BRATTON in the chair). Does the Senator from Montana yield to the Senator from Tennessee?

Mr. WHEELER. I yield.

Mr. McKELLAR. Would it not be probable that under this amendment employees would be put into the various governmental agencies which have been recently established to the exclusion of others who might be employed?

Mr. WHEELER. No; that is not my understanding at all.

Mr. McKELLAR. Would not that be the natural effect of the amendment?

Mr. WHEELER. I do not think so.

Mr. McKELLAR. If those employees have the right to appeal, they would simply be transferred to some other department.

Mr. WHEELER. I do not think that would be the effect of it at all. I think it would simply have effect in cases where mistakes may be made. At the present time when a department makes a mistake and lays off an employee who is entitled to be kept on the roll he has no right whatsoever of appeal. This amendment, if adopted, would simply provide for the right of appeal in instances of that kind, and that kind only.

Mr. BONE and Mr. BYRNES addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Washington.

Mr. BONE. I desire to call up at this time—

Mr. McKELLAR. I think we should first act on the amendment offered by the Senator from Montana.

The PRESIDING OFFICER. There is an amendment pending.

Mr. BYRNES. Mr. President—

The PRESIDING OFFICER. The Chair recognizes the Senator from South Carolina.

Mr. BYRNES. I regret that I shall have to make a point of order against the amendment offered by the Senator from Montana [Mr. WHEELER]. The Senator presented the amendment to me a few moments ago. I have not been able to read it carefully and to understand adequately what it proposes to do. I really think that an amendment of this

kind should be referred to the Civil Service Committee, so that it might be carefully studied. I gather, from a hasty reading of the amendment, that it proposes to set up an arbitration board in each department and to give the Civil Service Commission the right to provide machinery to settle difficulties between the departments and their employees. I shall have to make the point of order against the amendment.

The PRESIDING OFFICER. In the opinion of the Chair, the point of order is well taken, and is sustained.

Mr. TYDINGS. Mr. President, the Senator from Georgia [Mr. GEORGE] and I have each offered an amendment which is practically the same in purview. The other day I filed a motion to suspend the rule in order that the amendment might be considered; but I understand the chairman of the committee in charge of the bill has no objection to the amendment. It will be recalled that soldiers who have been wounded in actual combat with an enemy, though not in war, as in fighting the Moros, under a strict construction of the law cannot receive hospital treatment, which is accorded to other veterans who have been injured in line of duty in war. It is to correct that situation that the amendment is drawn, and I hope the chairman of the committee will accept it.

Mr. BYRNES. Mr. President—

The PRESIDING OFFICER. Does the Senator from Maryland yield to the Senator from South Carolina?

Mr. TYDINGS. I yield.

Mr. BYRNES. When the amendment was offered a few days ago, I said I had no objection to it, and I have no objection to it now.

Mr. TYDINGS. I send the amendment to the desk and move its adoption.

The PRESIDING OFFICER. The Senator from Maryland offers an amendment, which will be read.

The LEGISLATIVE CLERK. On page 47, line 10, after the word "amended", it is proposed to insert the following:

Provided further, That in addition to the pensions provided in this title the Administrator of Veterans' Affairs is hereby authorized under such limitations as may be prescribed by the President, and within the limits of existing Veterans' Administration facilities, to furnish to men discharged from the Army, Navy, Marine Corps, or Coast Guard for disabilities incurred in line of duty and to veterans of any war, including the Boxer rebellion and the Philippine insurrection, domiciliary care where they are suffering with permanent disabilities, tuberculosis, or neuropsychiatric ailments, and medical and hospital treatment for diseases or injuries.

Mr. GEORGE. Mr. President, may I say that the addition of the admission of peace-time veterans, as explained by the Senator from Maryland, to hospitalization is not a matter within the discretion of the President under the Economy Act. The President could not under that act authorize such hospitalization. This amendment, if adopted, will, of course, change the basic law so that the President may admit peace-time battle-wounded veterans into a hospital.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Maryland.

The amendment was agreed to.

Mr. DIETERICH. Mr. President, I desire to offer an amendment which I think is agreeable to the chairman of the committee. It provides that a portion of the appropriation carried in this bill may be used to pay the expenses of patients who are housed in hospitals belonging to the States.

The PRESIDING OFFICER. The Senator from Illinois offers an amendment, which will be stated.

The CHIEF CLERK. On page 44, line 6, it is proposed to strike out "\$85,273,000" and to insert "\$86,273,000: *Provided, That not to exceed \$1,000,000 of this amount may be used for payments to State institutions caring for and maintaining veterans suffering from neuropsychiatric ailments, when found to be to the best interest of the United States.*"

Mr. BYRNES. I have examined this amendment. I have learned that there are a number of men who are in State institutions, and under this amendment, if adopted,

the Veterans' Administration will have the authority, if it deems it to be wise, to send a suffering veteran to an institution of the State. I have no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Illinois.

The amendment was agreed to.

Mr. STEIWER. Mr. President, I now move to reconsider the vote had upon May 31 by which the Senate disagreed to the committee amendment on page 53, and lines 1 and 2, page 54 of the bill.

Mr. WALSH. What is the nature of that amendment?

Mr. COPELAND. Mr. President—

Mr. STEIWER. The amendment reported by the committee proposed to strike out the provision permitting the President to cancel or modify certain contracts which are defined in that section.

Mr. COPELAND. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The Senator from New York suggests the absence of a quorum. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Adams	Costigan	Kendrick	Robinson, Ind.
Ashurst	Cutting	Keyes	Russell
Bachman	Dale	King	Schall
Bankhead	Dickinson	La Follette	Sheppard
Barbour	Dieterich	Loneragan	Shipstead
Barkley	Duffy	Long	Steiwer
Black	Erickson	McAdoo	Stephens
Bone	Fess	McCarran	Thomas, Okla.
Borah	Fletcher	McGill	Thomas, Utah
Bratton	Frazier	McKellar	Thompson
Brown	George	McNary	Townsend
Bulkley	Glass	Metcalf	Trammell
Bulow	Goldsborough	Murphy	Tydings
Byrd	Gore	Neely	Vandenberg
Byrnes	Hale	Norris	Van Nuys
Capper	Harrison	Nye	Walcott
Caraway	Hastings	Overton	Walsh
Carey	Hatfield	Patterson	Wheeler
Clark	Hayden	Pope	White
Connally	Hebert	Reed	
Coolidge	Johnson	Reynolds	
Copeland	Kean	Robinson, Ark.	

The PRESIDING OFFICER. Eighty-five Senators having answered to their names, a quorum is present. The question recurs on the motion of the Senator from Oregon [Mr. STEIWER] to reconsider the vote whereby the amendment indicated by him was agreed to.

Mr. McKELLAR. Mr. President, I move to lay the motion of the Senator from Oregon on the table.

Mr. COPELAND. Mr. President, is this question debatable?

The PRESIDING OFFICER. It is not. The question recurs on the motion of the Senator from Tennessee.

Mr. COPELAND. Mr. President, I ask the Senator from Tennessee not to make the motion in order that an opportunity may be afforded further to explain this matter.

Mr. McKELLAR. Mr. President, we have debated this question heretofore, and it seems to me that it has been fully discussed in every way; it has been voted upon; and it ought to remain as it is.

The PRESIDING OFFICER. The question recurs upon the motion of the Senator from Tennessee to lay on the table the motion of the Senator from Oregon.

Mr. STEIWER. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. BONE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. BONE. A vote in the affirmative is a vote to table the motion of the Senator from Oregon, is it not?

The PRESIDING OFFICER. That is correct. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. HEBERT (when his name was called). On this vote I have a pair with the Senator from Illinois [Mr. Lewis]. I do not know how he would vote if present. If permitted to vote, I should vote "nay."

Mr. PATTERSON (when his name was called). Making the same announcement in regard to my general pair, I am

uninformed how the junior Senator from New York [Mr. WAGNER] would vote if present. If I were permitted to vote, I should vote "nay."

The roll call was concluded.

Mr. HEBERT. I wish to announce the following general pairs:

The Senator from Vermont [Mr. AUSTIN] with the Senator from Virginia [Mr. GLASS]; and

The Senator from Delaware [Mr. HASTINGS] with the Senator from North Carolina [Mr. BAILEY].

I am informed that the Senator from Vermont [Mr. AUSTIN] and the Senator from Delaware [Mr. HASTINGS] if present would vote "nay" on this question.

Mr. PATTERSON. I am informed by the senior Senator from New York [Mr. COPELAND] that his colleague the junior Senator from New York [Mr. WAGNER] would vote as I intend to vote. Therefore I feel free to vote. I vote "nay."

Mr. GLASS. I have a general pair with the junior Senator from Vermont [Mr. AUSTIN], who is necessarily absent. In his absence I withhold my vote. If permitted to vote, I should vote "yea."

Mr. ASHURST. My colleague the junior Senator from Arizona [Mr. HAYDEN] is detained from the Chamber on other official business.

Mr. KENDRICK. I wish to announce that the Senator from Kentucky [Mr. LOGAN] has a general pair with the Senator from Pennsylvania [Mr. DAVIS].

I also wish to announce that the following-named Senators are necessarily absent on official business: Mr. BAILEY, Mr. DILL, Mr. LEWIS, Mr. LOGAN, Mr. PITTMAN, Mr. SMITH, and Mr. WAGNER.

The result was announced—yeas, 44, nays 36, as follows:

YEAS—44

Adams	Capper	Gore	Pope
Bachman	Caraway	Harrison	Reynolds
Bankhead	Clark	Kendrick	Robinson, Ark.
Barkley	Connally	King	Russell
Black	Costigan	La Follette	Sheppard
Bone	Cutting	McGill	Thomas, Okla.
Bratton	Dieterich	McKellar	Thomas, Utah
Brown	Duffy	Murphy	Thompson
Bulkley	Erickson	Neely	Tydings
Bulow	Fletcher	Norris	Walsh
Byrnes	Frazier	Overton	Wheeler

NAYS—36

Ashurst	Fess	McAdoo	Shipstead
Barbour	George	McCarran	Steiwer
Borah	Goldsborough	McNary	Stephens
Byrd	Hale	Metcalf	Townsend
Carey	Hatfield	Nye	Trammell
Coolidge	Johnson	Patterson	Vandenberg
Copeland	Kean	Reed	Van Nuys
Dale	Loneragan	Robinson, Ind.	Walcott
Dickinson	Long	Schall	White

NOT VOTING—16

Austin	Dill	Hebert	Norbeck
Bailey	Glass	Keyes	Pittman
Couzens	Hastings	Lewis	Smith
Davis	Hayden	Logan	Wagner

So Mr. McKELLAR's motion to lay Mr. STEIWER's motion on the table was agreed to.

Mr. ASHURST. Mr. President, I wish to announce that I voted "nay" for the reason that there was such great confusion in the Chamber. I am sure many Senators did not know what the question was. There was no debate. I wish we could have had some debate on the question. I usually vote against laying motions on the table, but I should like to have heard some explanation about what we were laying on the table and what the main question was. There was such confusion that I could not hear what was going on.

Mr. McKELLAR. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Arizona yield to the Senator from Tennessee?

Mr. ASHURST. I yield.

Mr. McKELLAR. On the 31st of May, 2 days ago, the question of giving the President the right to modify, and even in some cases to cancel, contracts made for the carriage of mail by steamship and airship companies was before the Senate. It was discussed at length. It was settled, as I remember, by a majority vote of 7. The Senator from Oregon

[Mr. STEIWER] made a motion to reconsider the vote by which that amendment was agreed to. I made the motion to lay on the table the motion of the Senator from Oregon.

Mr. STEIWER. Mr. President, will the Senator from Arizona yield for an observation?

Mr. ASHURST. Certainly.

Mr. STEIWER. Supplementing what was just said by the Senator from Tennessee, the vote on May 31 was a vote of 35 to 27. The total number participating in that vote was 63. There were 33 Senators not present in the Chamber. Senators will remember that the vote was had during the morning when we met at the hour of 10 o'clock. Many Senators were engaged in important committee meetings and did not find it possible to be here at that time. I desired to have a vote upon this important question. Many other Senators desired to have a vote upon it. I accordingly made the motion to reconsider. I realize that the Senator from Tennessee was within his rights when he made the motion to table the motion to reconsider, but nevertheless I deeply regret that he saw fit to exercise that right under the circumstances.

Mr. ASHURST. I am content.

Mr. COPELAND. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Arizona yield to the Senator from New York?

Mr. ASHURST. I yield.

Mr. COPELAND. I am extremely sorry that the Senate, without hearing any discussion on the matter, has acted as it did. I thought the other day, with the very brief statement that was made to the small number of Senators present, that perhaps it was well to let it go as we did let it go. But this involves the whole question of the future of the American merchant marine. Great Britain is striving in every way possible to destroy our American merchant marine. I placed in the RECORD the official report of the British Chamber of Shipping wherein they pointed out what they are striving to do, to destroy the subsidies particularly in our country.

I want to say, in all good feeling, because it does not make a particle of difference to me personally, that there will be great rejoicing in Great Britain over what we have done. We are seeking to hamstring, or whether we are seeking to do it, nevertheless by what we have done we are about to hamstring the American merchant marine. With the provisions which we have enacted, it permits the President to abrogate solemn contracts, to do that with not only fraudulent contracts but any contract having to do with the carrying of mail.

Our shipping has been largely subsidized by our country. It means, in my opinion, that there will be brought back on the hands of the American Government great numbers of ships because of the loss of credit which our American lines will suffer.

So I wanted to say that. The Senator from Tennessee would not grant us the courtesy of a discussion of the matter today, but I wanted to give some proof of the thesis I have presented.

What we have done today, Senators, in my opinion, will have tremendous ill effects on American shipping and upon our country in general.

Mr. KING. Mr. President—

Mr. ASHURST. I yield to the Senator from Utah.

Mr. KING. The observations just submitted by the Senator from New York are not new in this Chamber. I shall not state that his present speech is a repetition of former ones. Indeed, a good speech perhaps is worthy of repetition; and the Senator has made an admirable speech today, as he has upon former occasions.

The Senator, however, in his utterances upon the merchant marine is not dissimilar to Jeremiah of old, whose melancholy prophecies did not always fall upon willing ears. He is an able defender of the merchant marine, and sincerely desires its development. But some of his prophecies, in my judgment, never will be fulfilled.

A number of shipping companies of the United States have been favorites of the Government and have obtained large subsidies at a time when subsidies ought not to have been

granted, and have received contracts for the carrying of mail from which they have derived enormous profits; indeed, profits so great that in some instances vessels were paid for in a limited number of voyages.

This matter has been discussed at great length in the Senate during the past 5 or 6 years. Many matters have been placed in the RECORD after full discussion showing the condition of our merchant marine and the subsidies received by them from the United States. In my opinion, no further discussion was necessary upon the motion of the Senator from Tennessee [Mr. McKELLAR].

Mr. McKELLAR. Mr. President—

Mr. ASHURST. I have an amendment to offer on another matter, but I yield to the Senator from Tennessee.

Mr. McKELLAR. I merely desire to make a statement.

Mr. BANKHEAD. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator will state it.

Mr. BANKHEAD. What is before the Senate?

The PRESIDING OFFICER. The Senator from Arizona is about to offer an amendment. There is no pending question.

Mr. ASHURST. I offer the amendment which I send to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 57, after line 25, it is proposed to insert a new section, as follows:

Sec. —. That the provisions of section 215 of the act entitled "An act making appropriations for the legislative branch of the Government for the fiscal year ending June 30, 1932" (Public Law No. 212, 72d Cong.), as amended by the act entitled "An act to maintain the credit of the United States Government" (Public Law No. 2, 73d Cong.), shall not apply to members of the Metropolitan Police force and the Fire Department of the District of Columbia.

Mr. ASHURST obtained the floor.

Mr. McKELLAR. Mr. President, will the Senator yield to me for just a moment?

Mr. ASHURST. I yield to the Senator from Tennessee.

Mr. McKELLAR. Mr. President, the Senator from New York [Mr. COPELAND] was ungracious enough to say that I had treated him discourteously in making a motion to lay on the table. I intended no discourtesy whatever to the Senator. I was entirely within my rights and within the rules. One of the reasons why I did it—I would not have mentioned it otherwise—was that I recall that on a similar bill affecting the merchant marine, some years ago, the Senator from New York entered a motion to reconsider and kept that bill from passing, and kept it before the Senate for the remainder of the session. This is an appropriation bill and I did not want this bill to die in the same way. That was one of the reasons that actuated me in moving to lay on the table the motion to reconsider made by the Senator from Oregon [Mr. STEIWER].

I desire to say that I am not inimical to a merchant marine. I think America can maintain a merchant marine. I do not believe that giving the President authority to modify these very remarkable contracts that have been made and to reduce services and to reduce trips, if necessary, will in the slightest degree affect our merchant marine.

I believe that a righteous verdict has been twice reached in the consideration of this bill.

Mr. ASHURST. Mr. President, a word now on the amendment I have offered.

The amendment provides that the Metropolitan Police and firemen of the District of Columbia shall not have their annual leave reduced but shall have their 20 days instead of 15 days' leave.

Mr. President, the hour is late; Senators are weary; and I have but to say that I have a list here showing that in the past 5 months one captain worked 119 extra hours.

A certain sergeant worked 85 hours extra time.

A certain lieutenant worked 107 hours extra.

A certain private worked 83 hours extra.

I believe that the Metropolitan Police and firemen should have their 20 days' leave instead of having it reduced to 15 days.

I realize, of course, that this amendment is subject to a point of order. I realize that it is legislation on an appropriation bill. I hope, however, that the genial, warm-hearted, able Senator from South Carolina [Mr. BYRNES], in charge of the bill, will let this amendment go to conference. I appeal to him to relax the rigidity of the rules so that these Metropolitan Police and firemen—and in all America there are no more efficient policemen or efficient firemen—will not have their annual leave reduced from 20 to 15 days.

Mr. BYRNES. Mr. President, I am glad the Senator from Arizona has nothing more to say, because he is almost too persuasive. [Laughter.]

Mr. President, I have to make the point of order. This question was gone into fully. The object was to put all the employees of the Government on the same basis insofar as leave of absence with pay was concerned. We fixed the leave at 15 days; and if we now make an exception for one, there is no just reason for refusing to give to all of the other employees, here and throughout the country, leave in excess of 15 days.

I make the point of order on the amendment.

The PRESIDING OFFICER. The Chair thinks the point of order is well taken, and it is sustained.

Mr. BYRNES. Mr. President, I desire to offer an amendment.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 48, line 18, it is proposed to strike out "\$231,730,000" and to insert in lieu thereof "\$401,730,000."

Mr. BYRNES. Mr. President, in explanation of the amendment I will state that a few days ago, when the amendment of the Senator from New Mexico was pending, I stated that if that amendment was adopted it would be unnecessary to amend the total, because ample funds were provided in the bill to pay the compensation of veterans until the Congress shall meet in January.

The adoption by the Senate of the Connally amendment, however, according to the best information I can secure this afternoon, means an additional amount of \$170,000,000. In view of that fact I do not believe it would be wise to let the amount provided in the bill remain. Therefore I have offered this amendment, increasing the amount for pensions by \$170,000,000, so that it can go to conference; and if there is any change there the change can be reflected in the total of the bill. I do not believe we should take the chance of having an increase of that amount not provided for in the bill.

I therefore ask the adoption of the amendment.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from South Carolina.

Mr. KING. Mr. President, as I understand the Senator, the material changes in the bill this afternoon call for another appropriation of \$170,000,000.

Mr. BYRNES. What the Senator from Utah understood the Senator from South Carolina to say was that the amendment of the bill calls for \$170,000,000. I do not want to open up any more debate on that question, because this bill has been before the Senate so long that the Senator from Oregon was misled into saying that he gave notice of a motion to reconsider on March 31, and it seems to me it has been that long. [Laughter.]

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from South Carolina.

The amendment was agreed to.

Mr. BYRNES. Mr. President, I have another amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. It is proposed that the clerks be authorized to correct the totals and section numbers.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

Mr. BONE. Mr. President, I desire at this time to call up an amendment which I offered on yesterday.

The PRESIDING OFFICER. The Senator from Washington offers an amendment, which will be stated.

The CHIEF CLERK. On page 39, line 21, it is proposed to strike out "\$50,000,000" and to insert "\$5,000,000."

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Washington.

Mr. BONE. Mr. President, the Senator from New York [Mr. COPELAND] referred to the matter of ship subsidies. In that connection the Senator from South Carolina [Mr. BYRNES] said just a few minutes ago on the floor that he regarded it as a bad practice to tax the whole people for the benefit of a small group—a proposal with which I am in most hearty agreement.

In order that the Senator from New York might have an opportunity to discuss the matter which was affected by the motion of the Senator from Tennessee, I have offered this amendment to transfer the \$45,000,000, which would otherwise go to the payment of ship subsidies, to the veterans' fund provided in this bill. That is the effect of this amendment—to transfer to the veterans of this country \$45,000,000 of money which otherwise would go to shipping lines in the payment of ship subsidies. If that can be accomplished, I think we will be doing something distinctly worth while.

I do not want to prolong this discussion. I merely wish, for the purpose of the record to have the veterans of this country and the people understand better just what these subsidies mean. I want them to understand that they not only mean the payment of a vast sum every year out of the Treasury for hauling a little mail, but they also mean the virtual gift of hundreds of millions, yes, \$2,000,000,000 worth of shipping property to steamship companies in this country for a tiny fraction of its original cost.

There is a suit now pending in the Federal court at Baltimore involving one steamship company that bought five steamships from the United States Government. These steamers cost the Government two and a quarter million dollars apiece. This company bought these steamships under the Jones-White Act for \$30,000 apiece, which was approximately one seventieth of their cost to the Government; and if that company never received one penny in ship subsidies, it would have received these beautiful steamers—five of them, for \$150,000. That is all in the world it would have had invested in these five steel steamships; and I submit that it is enough for the Government to supply the steamers themselves, at one seventieth of their cost, without supplying the capital to run the vessels afterward.

This particular company is now bringing suit, the pleadings in which case I hold in my hand, demanding that the interest rate on Government loans to it to remodel these steamers shall be reduced from 3 percent to one half of 1 percent per annum. The company was not satisfied with getting two and a quarter millions dollars' worth of Federal property for \$30,000; it wants this Government in this dark hour of financial distress and trouble, to loan it money for one half of 1 percent! And this, while our Nation faces grave perils, and has billions of money borrowed from bankers and others on which it is paying 4¼-percent interest.

I have just one more observation. I place this in the RECORD, because I think the people of this country are entitled to know just what this means to the Treasury of the United States.

A steamship company operating from Gulf to Mediterranean ports in 1 year's time received \$438,775 for hauling mail which under international postal union rates would otherwise have been hauled for \$58.

Another concern down in that part of the country hauled a batch of mail for which it received \$789,258.50, while the regular rate under international postal union rates for hauling that mail would have been \$1,462.80.

I want the American people to know that they are today making possible huge profits for private corporations at public expense. If there is to be any thrift, any economy, if we are going to cut the pensions of our soldiers, certainly we

lack justification for continuing these tremendous subsidies. I am trying to divert this money from wealthy steamship companies, to whom we have virtually given \$2,000,000,000 worth of Government property for a song, to the disabled soldiers of this country, to whom I believe it justly belongs, if anyone is entitled to it.

Mr. KING. Mr. President, will the Senator yield for a question?

Mr. BONE. In just a moment.

Our soldiers fought to preserve the very wealth these steamship gentlemen now possess. These boys put uniforms on their backs, shouldered rifles, and went out to fight and die, if need be, to preserve and protect this private wealth. We have not hesitated to take pension money away from our soldiers to give it to the subsidy grabbers. That is the thing against which I rise to protest.

Mr. KING. Mr. President, will the Senator yield for a question?

Mr. BONE. I will answer it if I can.

Mr. KING. Mr. President, I have sympathy with the policy of denying subsidies to the shipping interests. I was wondering, however, whether the Senator has correctly interpreted the provisions of the bill. It seems to me, from a hasty examination of it, that it does not carry a direct appropriation out of the Treasury, but merely confers upon the Shipping Board authority to use funds which they had accumulated in the operation of Government ships. If it is a direct appropriation, I would support a motion to strike it out; but if it is merely an authorization to utilize funds on hand which have been earned through the operation of Government vessels, then another question is presented. I shall be glad to be informed as to the facts in this matter.

Mr. COPELAND. Mr. President, will the Senator from Washington yield to me in that connection?

Mr. BONE. I yield.

Mr. COPELAND. As a matter of fact, the item which the Senator has mentioned in his amendment relates to a theoretical sum of \$50,000,000. In the appropriation act for the fiscal year 1930 we set up the sum of \$50,000,000 for the expenses of the Shipping Board, to operate the ships which we had not yet sold. As a matter of fact, let me say in all kindness to my friend from Washington, there is not \$50,000,000 in this fund. The amount in the fund at this moment is \$14,461,000. The \$50,000,000 was the sum set up in 1930, and we have used that up operating these ships. We talk about the subsidies we give to the great shipping lines. On those which we operate ourselves we have wasted now, if you want to use that word, \$36,000,000 in operating our own ships, but we have not sold them at all at \$2 a ton or \$200 a ton. So let me say to my friend from Washington that, much as I would like to help the veterans—and I would like to help them, not \$50,000,000, but two or three times that amount—we cannot get blood out of a turnip, and we cannot get \$45,000,000 out of \$14,000,000, and there is no \$50,000,000 there available for this purpose or for any other purpose.

Mr. BONE. Mr. President, I will occupy the floor just a moment longer. I do not know the purpose of the committee in appearing to make available \$50,000,000 if the money was not there.

The Senator in charge of the bill has just advised me that there was \$14,000,000 in the fund. It makes no difference, however, if there is only \$14,000,000, I object as a matter of principle to a private steamship company getting that sum instead of the veterans, when the soldier needs it so badly in these tragic times.

If the Senator will look at page 41, he will find there a reappropriation of the unexpended balance of the appropriation of \$10,000,000 made to operate lines of ships which have been taken back or may be taken back. I think perhaps that is one of the things the Senator from New York referred to.

Mr. COPELAND. Let me say, if the Senator will permit me, that this reappropriation was made in order that technically whatever money had been unexpended might be

used and added to the fund. But let me assure the Senator that the amount of money in this operating fund, not for private shipping, not for the subsidizing of ships which we have sold, but this money cited on page 39, is for the care and operation and the expenses of our own shipping lines, not those which we have sold to other people. If the Senator wishes to find \$45,000,000 to aid the veterans—and I should like to find that much to aid them—he cannot find it here. As a matter of fact, we have appropriated, if I remember, only about \$25,000,000 for the ship-subsidy work, and that is in another bill entirely, not in this one. While it looks as if, on the face of it, they could expend not to exceed \$50,000,000, as a matter of fact that is the language of the appropriation bill for the fiscal year 1930, and the amount of money in that fund is only about \$14,000,000.

Mr. BONE. The position of the Senator from New York, reduced to its simplest terms, seems to be this: That there is something tragic in the people of this country retaining possession of their own property and operating it at a possible loss, but a similar loss becomes sanctified when we virtually give this property away to a private corporation, and that private corporation comes to the Congress and says, "We cannot operate the property you have given us without a loss, and Uncle Sam must make up the difference." We blithely and gaily make up the difference, and think that sort of practice is all right.

If the Government has to give its property away and then make up the losses of a private corporation, which is the beneficiary of such wonderful generosity, it would have been the part of wisdom to have kept the property. We virtually give these Government ships away, and now the private steamship companies want the Government to not only keep the ships running for them but virtually underwrite losses by extravagant subsidies.

The largest private business enterprises have been coming down to Congress and asking that body to underwrite business and guarantee its financial success. If the Government underwrites all forms of private business, private business should not object to the Government entering some forms of business, as it has in the Muscle Shoals development. If private capital wants to enjoy a monopoly of the business field, it should stand on its own bottom and not bleed the country in taxes to cover its losses.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Washington. The amendment was rejected.

WHAT IS TO HAPPEN TO THE UNDERSTANDING OF A UNANIMOUS CONGRESS?

Mr. LONG. Mr. President, I am informed today that the President has been advised by the Treasury Department not to allow the bill which passed the Senate for the relief of the banks of the country to be approved by the conferees of the House and the Senate. That is, that the provision we put into the law stipulating that the guaranty bank fund was to be participated in by the State banks just as by the Federal Reserve banks must come out of the measure; and that, instead of the Vandenberg amendment, which provides that the State banks shall be admitted, guaranteeing deposits up to \$2,500 until the permanent guaranty fund is to take effect, the President's advisers have insisted that there be written into the measure a provision that the State banks shall participate in the benefits only upon having been admitted through the certificate of the board containing a member of the Federal Reserve Board, the balance of them to be appointed by the President.

Mr. President, that is the information I get, which I think is pretty reliable. In fact, I am more than sure it is reliable, and what does that mean?

I was not going to support the Glass banking bill in the Senate when it was here for consideration, but when the Senator from Michigan came to me with his amendment, which we call "the Vandenberg amendment", showing that the State banks were going to be given a chance and fair treatment, I was willing to swallow some of the provisions of the Glass bill, which I had not accepted before, in order to

get a reasonable protection for the banks and more protection for the depositors of the little banks in the States.

I want to say that the Senator from Virginia [Mr. Glass] kept faith with what I had understood. The Senator from Virginia accepted that amendment on the floor of the Senate, and it was adopted.

I happen to know that the amendment was satisfactory to the people in charge of the bill in the House. I happen to know that the Senator from Virginia went a long way in the matter, particularly in having shown not only senatorial preference toward this kind of a settlement of the matter, but even in his grand personal conduct toward myself and the efforts which I made to rush the bill along in an evening session.

Mr. President, if, in trying to bring this country out of the rough, we have the Treasury Department of this country overturning what was the consensus of all the minds in the Senate and the House on this banking question, all our effort comes to naught. After all this effort to get a constructive banking law for this country, after all of that, it comes to naught, all because of the advisers in the Treasury Department. I do not know who they are, probably the Secretary of the Treasury, the Assistant Secretary of the Treasury, and possibly somebody else, though I do not know who else. I am not in on any conference. I never confer in such meetings. To begin with, I am not expected. It has always been my policy, instead of participating in conferences, to take instructions from conferees and try to follow along.

If this kind of a worked-out proposition which we had hoped after a year's work here was going to produce a compromise and give solidity to a credit structure throughout this country is going to be upset—as I understand efforts now are afoot to upset this agreement by the preemptory pronouncements given to the conferees in both Houses—then there is no use of having legislation going through here at all. What is the use of all the work if some midnight or 6 o'clock or 9 o'clock or 4 o'clock pronouncement given from the White House as the result of advice is going to upset it all? There is no need of trying to have legislation at all to create a balanced structure. We need the Glass bill in some respects, but what does this bill mean now if they strike out our amendment?

I want to say with every feeling of kindness that I owe every compliment that I can pay to the Senator from Virginia for his magnanimous support here in accepting the Vandenberg amendment, and I feel that we owe a great debt to the Senator from Michigan for his effort to bring about this situation. I know the attitude of the members of the Committee on Banking and Currency in the House, and it is the feeling of the two committees of the two Houses, it is almost the unanimous opinion of the Membership of the Senate and of the Membership of the House, that we should have our amendment; and in spite of all that and all the work that has been done, now we are to have the whole thing upset and the bill brought back with our amendment cut out, so that the bill, from our standpoint, will be worse than if we had no legislation at all.

Mr. President, what is to come in here? If they try to put in a guaranty bank fund for the national banks or the Federal Reserve banks and leave out of that guaranty bank fund the State banks, it will break 95 percent of the State banks in the United States within 3 months' time, if not 100 percent.

If we so legislate here as to allow the State banks to be left out—and I say "left out" advisedly—if we do not succeed in having the so-called "Vandenberg amendment" finally adopted; if we legislate in such a way as to leave the State banks out of the guaranty fund, after we have once voted them in, and, on the other hand, leave the member banks of the Federal Reserve System in the guaranty fund, everybody knows that every dollar of money is going to be deposited in the banks the solvency of which the Government has guaranteed.

Let me tell the Senate what has been done in this country, Mr. President. Early in March, shortly after President

Roosevelt went into office, we managed to pass a law under which all the banks could be admitted if the Federal Reserve Board saw fit to pass them for admission. Now I want to tell what was done. They went down to my State of Louisiana and excluded from their list one or two, or perhaps a half dozen of the strongest banks we had in the country. I was in position to know the status of some of those banks from their reports. Mr. President, they excluded one bank as to the solvency of which, if they had permitted it to open, there would never have been any question; it would have continued in business, and if the country was liquidated it could have liquidated. But after excluding that bank, and others like it, they went up to another place in Louisiana and opened a national bank that had a State branch bank. That State bank was so insolvent that it looked like it would wreck the whole country down there to keep it open. The only reason the State bank had not been closed was because it looked as if it might be held solvent by reason of the connection it had with the national bank. It was a most pitiful picture of a bank that we knew anything about.

Right across the river, in Mississippi, was a bank to which we had furnished every kind of assistance in the world to keep it from closing its doors, but, lo and behold, when they got ready, just because it had a national bank charter they opened up that bank over across the line in Mississippi, although they are never going to be able to keep it open unless they pour every dollar they have into it. They opened up that other such bank in Louisiana too; they opened up a bank concerning which I have such a report that there is not a man in the Senate who will say they had any right under the rules which they had prescribed to open it; and they have kept closed other banks in the State, although, from the record, there is not any comparison between their solvency and the solvency of some of the banks they have opened.

The other day one of the strongest banks in the South came here to get admitted to the Federal Reserve System. It is one of the strongest banks there is anywhere in the United States, and is located at Shreveport, La. After they had examined the bank, somebody in the Federal Reserve bank of Dallas district, said they thought they ought to put \$200,000 more capital in it and they agreed to do it. They got up here to Washington after the Dallas bank had approved the plan, and the next thing I knew they wanted about \$950,000.

I ascertained sufficient about the situation to know that it was practically almost impossible to get through the web-work so that a State bank might secure admission into the Federal Reserve System at all; and yet, because there was a national bank in Vicksburg and there was a State bank branch of a national bank in another place in Louisiana, they saw fit to pull them in and try to hold them open and breathe whatever life they could into them.

I am not complaining, Mr. President, for the banks. We cannot possibly make this country solvent unless we can give people confidence in the banks. We cannot close all the State banks in this country. If we enact a law guaranteeing deposits in Federal Reserve banks, but not taking in the State banks, without any question, it is going to mean the closing of the State banks; it is going to mean that we will have guaranteed and unguaranteed bank deposits, and the people are going to try to take their money out of those not guaranteed and put it in banks that are guaranteed.

Can they pull them out of banks that are not guaranteed? No. Why? Because we have only about \$7,000,000,000 worth of currency in the United States, and the State banks have probably \$20,000,000,000 worth of deposits, and, at the very most, they might get three or four billion dollars out of the State banks, their part of the currency, to put into the supposed-to-be guaranteed bank system. We will create a crisis if we undertake to guarantee a certain list of Federal Reserve banks and not guarantee the State banks; we will bring on a banking crisis that will be worse than the banking crisis we had on the 4th day of March. It is not physically possible to keep a banking structure afloat in this country by guaranteeing half of them and not guaranteeing

the other half. It is just not possible to do it. It is going to mean that everybody is going to try to draw his money out of the unguaranteed bank and put it in the bank that is guaranteed.

Now, who is advising the President in this matter? If this were the demand of the Senator from Virginia, I would have to take a back seat; if it were the demand of Mr. STEAGALL, the Chairman of the Banking and Currency Committee of the other House, I would have to take a back seat; if it were the demand of the Senator from Florida [Mr. FLETCHER], the Chairman of the Banking and Currency Committee of the Senate, I would take a back seat; but it is not their demand. Who is passing judgment, Mr. President, on this matter. The Secretary of the Treasury, Mr. William H. Woodin, is passing judgment on the matter; the Treasury Department is passing judgment. Mr. STEAGALL agrees—O.K.; the Senator from Virginia [Mr. GLASS] agrees—fine; the Senator from Michigan [Mr. VANDENBERG] comes in with an amendment—O.K.; the Senator from Arkansas [Mr. ROBINSON] voted for the amendment; the Senator from Oregon [Mr. McNARY], the leader on the Republican side, voted for the amendment; even I voted for the amendment and for the bill. But a voice stopped it all. What sort of opposition is there to it? Mr. Woodin, with his name freshly painted in the list J. P. Morgan & Co., buying stock for \$20 which I was offered, as a sucker, for \$37—and there were plenty of suckers, but I was not one of them for I learned my lesson in earlier days—Mr. Woodin, whose name adorns the list and, I understand, the assistant of Mr. Woodin advise against us.

I started to oppose the confirmation of Mr. Woodin's assistant because it looked to me like a family matter; but on further reflection I went to a ball game and let it go over and said no more about it. It would not have made any difference anyway, and I just put myself on record and decided I would let the Senators vote for the confirmation of the balance of the family, and I would get what pleasure I could by watching a ball game between Washington and Cleveland in the American League. I probably ought to have stayed here because, well—at any rate, I made no further opposition, and the gentleman was confirmed. I do not think he is in the category of those competent for the job. He has had no financial experience, but there was some competency shown by the record. It was shown that he was a member of a firm of attorneys representing J. P. Morgan and Charley Mitchell here in the Capital, and that was proof of some competency. That and other similar matters came out in the hearing, and it was apparent that this kind of appointment could not be disturbed except for strong presumptive or actual proof to the contrary at least.

So Woodin, Morgan's preferred client and Morgan's local attorney practicing in the Treasury Department, neither one of them with any experience whatever that ought to stand up against the kind of men that are here in the Senate and in the House, is going to wreck our bill.

So now they come out. It does not make any difference, Mr. President. I would have thought in days like these, with the Secretary of the Treasury going around asking whether he ought to resign or not, he would let us alone here. I know he has been asking advice of people as to what he ought to do, whether he ought to stay there or get out. He did not ask me, but I advised him without his asking me. [Laughter.]

The PRESIDING OFFICER. The Senate will be in order, and this admonition applies to the galleries.

Mr. LONG. I would have thought, Mr. President, with this gentleman going around asking Senators what he ought to do, apparently wanting to know from authority that he thought reliable, whether he ought to stay there or not, that the least thing he would have done would have not to have been setting himself up as an oracle to tell us what we should do about a bill that everybody agreed on and was happy over. I was about to get feeling good over this situation, for the first time—well, not for the first time, per-

haps, for it looked like something good was going through here several times, but something always happened.

I do not understand this thing. There is just something in the way. I remember one time playing in some kind of a game going on in the West in which there was used a pack of cards called "bull dog" playing cards. It seemed like somehow or other the gentlemen who were playing with me could understand something better than I could, and after I got through with the game they happened to leave upon the table the cards with which they played. We got a magnifying glass, and I found that those bull-dog cards, on the back of them, would have the dog with one eye closed on one card and another would have two eyes closed, and one would have one foot up. [Laughter.]

The PRESIDING OFFICER. The Senate will be in order, and this admonition applies to the galleries.

Mr. LONG. A blind man could have seen, but I could not see, that I did not have a chance in the world in that game; and apparently I do not have a chance in the world in this business; I was living in a false paradise.

I was considering going home and taking up a collection with which to build a monument to the Senator from Virginia [Mr. GLASS] and the Senator from Michigan [Mr. VANDENBERG] and the Chairman of the Banking and Currency Committee of the House [Mr. STEAGALL], feeling that everything was all right and people were going to feel that they were safe; that we were going to have affiliates divorced from private banking houses, which I wanted but confidentially, I had been told by the Chairman of the Banking and Currency Committee in the House that he would strike out the branch-banking provision in conference. I thought I had that much that the Senator from Virginia did not know anything about; that everything was "hunky dory"; but, oh, no.

We are investigating Morgan. Well, we have got him down here investigating him, and lo and behold one little man on his preferred list overrules the Senate and both Houses of Congress.

Investigate him?

Why, a little preferred customer of Morgan has got more power over the banking legislation of the United States than the two Houses of Congress put together.

Investigate him?

Why, Mr. President, we have been fooling ourselves. He turns all of us from the back. He not only saw us coming, but he saw us before we got up. After all we have done on the bill, held here as it had been, he shows us that we are powerless, we are helpless, and nothing of the kind that we figured on is going to be done when the preferred customer and whoever he has got serving with him as Under Secretary speaks and spells the doom of what would have been a solvent banking situation in the United States.

I am told that someone recommends that we had better get Congress to adjourn. Well, Mr. President, so far as I am concerned, I had rather see the Congress adjourn than to see it pass this bill with a guaranty of bank deposits in it at all, unless State banks are included.

I am going to appeal to my friends in the Senate who were for that bill to do one of two things, either to stand up and let the guaranteed-bank-deposit provision stay in the bill as we passed it here, or strike out the guaranteeing of bank deposits altogether. Do not let it go out unless you want to break half the banks with one lick. Do not have a provision to guarantee bank deposits unless you put them all in it. If you are going to provide for admitting State banks after examination here in Washington, just forget all about it. Never mind about putting us in after they investigate. It is too much like the nigger lodge. We know what that investigation means. Unless we are going to be taken in just like the balance of them, then there is no need whatever for it.

I want to ask the Senator from Michigan and the Senator from Virginia not to let this provision, that puts the State banks in that are open on the certificate of the State commission, be taken out of that bill unless they take it all out,

and if they take it all out I will still be for the bill and let it go. But we are getting along; we are getting along somehow, in some way. There is nothing so much the matter with the little banks as there is with the country. When we broke our country, we broke our banks. When our land that raises cotton has no value, then our mortgage on the land that raised the cotton was not worth anything, and therefore the bank's loan was not good. When we could not sell our cotton, then our mortgage on the cotton was not worth much, and so the bank's loan on the cotton was not worth much. When we could not sell our timber, then our mortgage on the timberland was not worth much, and then the bank's loan on that was not worth much either.

It will be found, if we look up the little banks in the country, that all they have is what would have been absolutely good if America had been going along all right. They would have been all right. True, we bought too many things that they sent down from some of the big banks. We would have been better off without some of them, but we did not have very much of them. They were sold mostly in other States, and I sympathize with them.

I hope we will know where we are. I hope the Senators from Michigan and Virginia will help, though I do not know how much they feel they are obligated to help out in this matter. I know the Senator from Michigan said to me that the Senator from Virginia told him that if the President of the United States said he would not sign the bill with his amendment in it, he would have to back off of it. I had understood that. I hope I am not violating anything that anybody told me. I felt if the Senator from Virginia accepted the amendment and we all voted for it and the Members of the House voted for it, we would not have any trouble. Highly as I regarded the President of the United States, I felt that if we had the consent of the Senator from Virginia and the committee in the House and the two leaders of the parties in this body and the other House, it would be all right, particularly with my own consent thrown in so as not to unbalance anything. [Laughter.] But if we are going to have this bill passed as it is said to be passed, we might as well quit trying to do anything in the affair.

How long are we going to have Mr. Woodin here, Mr. President? How long is he going to stay here? Why have not these Senators to whom he has been appealing for advice tell him what he should do? I say "Senators." I only know of one point-blank to whom he has gone, but I suppose he has gone to others. Why has he not taken the advice he received and gotten out of office? Why ought he to be staying here telling us what to do about these banks? Why cannot we get the thing fixed up while Congress is in session and get a good banking law that is pleasing to every one of us? Have we got to continue this thing? Is he going to stay here all the time and be as hard to get rid of as Eugene Meyer was? We tried to get them out by the plan of inviting them out, but they still stayed. [Laughter.] We could not get them out with a crowbar. [Laughter.] We are down now to a corkscrew, trying to take them out a piece at a time. [Laughter.] We manage to move one or two a little bit. But lo and behold they are like a moccasin snake in the days of the fall—more dangerous than ever.

I want to say, and I will take the responsibility for this statement, that if they will let our bill go through just as it left the Senate we will see that it will do more to revive conditions in the United States than everything we have done since I have been here. If they will let that bill alone and keep their head out of it, if they will not come in here and make a mess of it, but let it go on the books as we passed it, it will do more to reestablish this country than everything we have done since I have been here. It will do more than the inflation bill, because it is inflation and a very good kind of inflation, the very best kind—bank credit. It is the kind of inflation that means solid banks the people will trust, and we can have \$1,250,000,000,000 worth of bank checks interchanged in this country in normal times again, because the people will not be afraid of the banks, and that is more and better inflation, that will do more good than everything else we have done all put together.

I wish the President would take my advice just one time. He has taken it once or twice, and probably regrets I gave it now. [Laughter.] I say he has taken it. He probably only did the way he intended to do all the time and probably just told me that, but I felt good over it. [Laughter.] I wish he would take my advice one more time, just one more time. I wish for one time in his life, until I get on Morgan's list, he would take my advice. I am going to learn how to get on their list if I stay here much longer. I am going to read the reports and find out what we have done, as Mr. Will Rogers says.

I wish the President would take my advice one time and let us alone. I wish he would take the combined advice of the banking authorities of the two Houses of Congress and the practically unanimous opinion of the two Houses of Congress just one time. I wish he would take the advice of the people in the Congress who have been working over the case for 2 years—and there are some of us who have given most of our time to it for at least the last year—and let us alone. We have this thing worked out where we would have solvent banks. We would not have to close four fifths of the banks in order to guarantee one fifth of them.

But they will not let us alone. They will not let the bill have a chance to go through. We have to have it go into some kind of a situation to be controlled by men whose only financial learning in their lives has come through such associations as they have had through being on the preferred list of J. P. Morgan & Co. That is all they know. The best they could do would be to send their men down and let us talk to them a while. They seem to be men who have the right to decide this case and overrule both Houses of Congress, and we do not even get a chance to talk to them. They come from other realms. It is a terrible thing to be hung by a judge who does not even give us a chance to have a hearing, but that is the situation we are up against. They do not let us plead in our own rights there even before Morgan's clients.

OUR FEET ARE SORE AND WE ARE WEARY

But the fact that we have agreed on the bill is apparently prima facie evidence that the bill ought not to be passed.

What kind of a Congress have we? I say a wonderful Congress, a great Congress of great men.

But what kind of a Congress have we, gentlemen of the jury? [Laughter.]

What kind of a Congress have we?

What does Congress mean? I was not surprised at my friend from Texas [Mr. CONNALLY] when he said that if we did not do what the Veterans' Administration wanted we probably would not have any bill at all. I was not surprised. But here we had agreed on a bill after a year of study and everybody was happy over it. When I wrote back to my people in Louisiana the night the Glass bill went out of the Senate and told them what was in the Glass bill, it was just like breathing new life into them. I know how they are going to feel when they hear what is going to happen to it now.

What kind of a Congress have we? What is the use of staying here any longer? What is the use of doing anything? What is the use of Representatives and Senators studying up on these questions? What boots it how long we study and how much or how little we know about it, or how much we try to learn about it before we vote? It does not amount to a thing on the living earth. It will not even rattle as much as one shot in a gourd. It does not amount to anything.

The only time a vote counted for anything was during the Louderback trial. That was the only time they did not have a chance to annul our vote. I would not have been surprised if the day after the Louderback case was closed we had got an order from somebody to have Judge Louderback impeached. That would have been just about as constitutional as two thirds of the things we have passed since I have been here. The Senator from Arizona [Mr. ASHURST], my learned and beloved chief, knows that himself. It could not have been a bit different.

This is the kind of procedure we are having, and here we are letting this bill go back and be scissored up, letting it be clipped by a man who has been around here with one of his underlings asking Senators whether he ought to stay in office or not, and yet he is staying there long enough to blast the only hope we ever had of building up a good banking system in the United States.

Mr. President, what I say may not do a bit of good in the world. It probably will not do any good, but I want to put myself on record in the Senate. When we passed the sapling bill [laughter]—I believe they call it the reforestation bill, though—but whatever we call it, when the sapling bill was passed I said to the Senate that there was going to be more scandal in the administration of that act than in everything that had been passed before that time. They did not even get started before some of the Government agents got mixed up over the shaving kits, and now they are all blaming each other for having given the order. They could not even buy shaving soap without getting into a scandal before they had hardly started. [Laughter.] They got into a row over that.

We read in the paper that one man has a radio contract to speak every Sunday night over the radio and tell the people what they shall do the next week. My friend the Senator from Arizona [Mr. ASHURST] has been here some twenty-odd years, but if he is here twenty-odd years more they will not hire him to speak over the radio because he does not know what is going to happen next week. [Laughter.] But some man comes down here who was on the inside, and in order that Senators may know what we are going to do next week, they are gracious enough to hire a radio speaker at a thousand dollars a week to talk to us 15 minutes of time each week, in order that Members of the House and Senate may know what they are going to do when they reassemble the following week or maybe in the fall.

We had expert advice of every kind and character, but what does the Congress amount to? I have not only told about the sapling bill and how it has already been proven that it will involve scandal, but I have told the Senate other things. We will have more scandal out of the administration of that law than we ever heard of out of anything else. Then what? By the time they get through fixing it up about this little kit business, we will see what else may come out of that business.

That is not the half of it. If you had that much to cut off a set of whiskers [laughter], you wait and see how much trouble you are going to have a little later, before you get through with the administration of that act.

That is not all I voted against here. I voted against the economy bill. I am proud of that. I think everybody here knows that we made a mistake in passing that bill. You proved that this evening, when you voted to undo \$170,000,000 of it. You have already proved, in your opinion, this afternoon, that I was right in voting against the economy bill. Only about five of us on the Democratic side of the Chamber voted against the economy bill, and we were proved to be right here today. We will be proved to be right time and again as we go along in the administration of that act and these other measures; and, Mr. President, I would have voted against the farm bill if inflation had not been put in it. I had previously announced on the floor of the Senate that I was going to vote against the farm bill.

It was said that we were going to inflate. Here is how we were really going to inflate. There has been a better feeling in the country. We have not done much inflating; but in the spring of the year we have come along here and told everybody that commodity prices are going up, and the farmers are planting every field full of cotton where they can find a place to plow. Right in the spring of the year we said, "There will be no more 5-cent cotton. It is going to 10 or 15 cents", and the farmers pulled out every old plow and every old mule and every old horse they had and they have gone in at the corner of every rail fence they could find in every corner of this country,

and they have planted cotton where they never made a stalk grow before in their lifetime, because "good times are coming." That is so, whether you gentlemen know it or not. I have been back home and looked around. I know where they did not plant cotton before and I see it planted now. You are going to find out that they are going to piddle around with this kind of confidence that they have put in the minds of some of these people, and by the time you get another fourteen or fifteen or sixteen million bale crop here you will have to make the dollar worth a penny on the dollar, or that cotton will be selling for 3 cents a pound.

Just remember what I am telling you. I have not told you anything here yet that has not come true. Remember what I am telling you about the way the farm bill is being administered. I know what I am talking about. It takes a little while to prove it, but just wait until I get back here next winter and you come back here and you will find out how true it is going to be.

I got the statistics about these things. There have been a few more men employed, yes; but what is that going to amount to? We still have over 12,000,000 unemployed. A lot of people opened up sawmills, cutting lumber on confidence. There are a few things moving around. Confidence? I want to tell you, Mr. President, that it is not going to be possible to keep the thing going with fictions and with sermons. It cannot be kept going in that way. If we do not stabilize this banking situation as it can be stabilized, the chance of the "new deal" is going to be killed aborning. It will never get away from the post when the people try to draw out the billions of dollars we have in this country in the State banks to put in the guaranteed ones. They cannot draw it out of the banks, because there is not a fourth as much currency in the United States as there are State deposits; and whether it is a fair thing to do or the right thing to do or not, if we do not stabilize and solidify and make solvent the banking situation, we are never going to be able to get away from the post.

Remember what I am telling you. There is no need of my saying any more. The Senator from Virginia [Mr. GLASS] started two or three times to rise to speak, and I meant to quit long before this. I meant to speak only a few minutes; but I do appeal to the men of the Senate who are in the confidence of the President. Except during election time, I cannot stay in the confidence of anybody that runs for big office. The only time they ever use me, Mr. President, is when it comes to getting votes, and not always then; but I have always been pretty well accepted in the party councils during vote-getting time, most of the time. I am sorry that I did not take advantage of that season of the year to say more; but I did not take much time for that during those days. I talked to the candidate less than 15 or 20 minutes by myself at any one time. But there are men in the Senate whose superior learning and counsel over me gives them a standing at the White House; and I want to ask them not to let the President make this mistake. I beg this favor. I want to ask them, at a time when we can save the situation, not to let anyone meddle with the bank bill any more.

We have fought over this thing long enough. We know a whole lot more about it than these other people do. We know a whole lot more about it than they ever will know about it. I do not want the conferees hamstrung so that they cannot do what they want to do, regardless of how they may feel. I do appeal to the leaders of the two big parties here, and the men in charge of financial legislation here, to try to prevail upon the President, now that we have gotten together on this bank bill, not to deal it a deathblow and make it ineffective.

I thank the Senate.

INDEPENDENT OFFICES APPROPRIATIONS

The Senate resumed the consideration of the bill (H.R. 5389) making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions,

and offices for the fiscal year ending June 30, 1934, and for other purposes.

Mr. FRAZIER. Mr. President, last Tuesday, I believe, the Senator from South Carolina [Mr. BYRNES], in charge of the bill, offered an amendment to strike out section 8, on page 58. That section was stricken out without any explanation, and I think there were only a few Senators on the floor at the time. It authorizes the President to furlough officers of the Army, Marine Corps, Public Health Service, Coast Guard, or Coast and Geodetic Survey.

As I understand, at the present time the President has authority to furlough officers of the Navy. This section would give him authority to furlough more officers. It has been stated by prominent generals in the Army that there could well be furloughed at least 2,000 officers out of the 12,000 that we have at the present time. Their average pay, as I understand, is about \$6,000 a year. This section will cut them down to half pay. It will make a saving of about \$6,000,000 in the Army alone.

I ask unanimous consent that the vote by which Section 8 was stricken out may be reconsidered.

The PRESIDING OFFICER. Is there objection to the request of the Senator from North Dakota?

Mr. BYRNES. Mr. President, I object to the request for unanimous consent; but I think I can satisfy the Senator as to the reasons why the action was taken.

The purpose of the section referred to was to enable the President to furlough officers at half pay. In the committee there was considerable discussion, and I was directed to make an investigation. The Army officers prefer that they be dismissed from the service rather than that this furlough provision be applied to them. The administration came to the same conclusion. The Senator from Pennsylvania [Mr. REED] and the Senator from Texas [Mr. SHEPPARD] came before the Appropriations Committee and expressed the views of the Military Affairs Committee. It is my own opinion that if officers are not satisfied with the furlough, and prefer to be dismissed from the service, whenever they can be dismissed, it will be well to let the 2,000 be dismissed, if that be determined, instead of furloughing them.

Mr. FRAZIER. Mr. President, under the provisions of the bill, the furloughed men would get half salary, which would amount, on the average, to about \$3,000 a year. It is hard for anyone to believe that officers would rather be discharged from the service or retired at a smaller salary than to be furloughed for half their present salary. As the objection to reconsideration is made, however, I hope the conferees of the Senate at least will not insist too hard upon having the Senate amendment agreed to by the House conferees, because I think it is absolutely unfair; and I am satisfied that if the matter had come to a fair vote on the floor of the Senate that section would not have been stricken out.

The PRESIDING OFFICER. The Chair understands that the Senator from South Carolina objects to the request for reconsideration made by the Senator from North Dakota.

Mr. BYRNES. I do, Mr. President.

The PRESIDING OFFICER. Objection being made, the bill is still before the Senate and open to amendment.

Mr. TRAMMELL. Mr. President, I have a short amendment which I desire to propose.

The PRESIDING OFFICER. The amendment offered by the Senator from Florida will be stated.

The CHIEF CLERK. On page 42, line 15, it is proposed to strike out "\$18,000" and insert "\$13,500."

Mr. TRAMMELL. Mr. President, this amendment involves a salary of \$18,000 especially provided in this bill. I suppose the officer is already in the position in the Fleet Corporation, which has been transferred to the Shipping Board.

I have followed out the policy of the Senate in dealing with veterans, and I propose a 25 percent cut in that \$18,000 salary. I think it certainly comes within a similar scope, and if the Senate thinks veterans should be cut as much as 25 percent we should deal with an \$18,000 salary in the same way. I am really opposed to leaving it at \$13,500. It is \$18,000 at the present time.

Mr. BYRNES. Mr. President, will the Senator yield to me?

Mr. TRAMMELL. I yield.

Mr. BYRNES. If the Senator will yield for that purpose, I desire to move to strike out the paragraph for this reason:

Under the Economy Act it is provided that no salary shall be in excess of \$10,000 except in a case where an employee of the Shipping Board Merchant Fleet Corporation is now receiving more than \$12,500, and in such case the salary hereafter shall be \$12,500. Others are limited; and because several salaries are provided for in this paragraph I want to move to strike it out, so that it can go to conference, and find why the House inserted the language of this paragraph.

I therefore move, as a substitute, to strike out lines 11 to 16 on page 42.

Mr. TRAMMELL. Mr. President, the chairman of the committee no doubt is correct. I have not looked up the matter. I am a little apprehensive, however, that under his motion a great number of persons will be allowed to receive a \$12,500 salary. Under the paragraph as it stands they are limited to \$10,000, except three.

Mr. BYRNES. Mr. President, I happen to know that situation, and I know there is not the slightest danger of that happening. The purpose of the Economy Act was to limit the Shipping Board or Merchant Fleet salaries to \$12,500.

Mr. TRAMMELL. I am very glad the chairman of the committee agrees with me that that should be stricken out.

The PRESIDING OFFICER. The question is on the amendment of the Senator from South Carolina to the amendment of the Senator from Florida.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The PRESIDING OFFICER. The bill is still before the Senate and open to amendment.

Mr. COPELAND. Mr. President, I understand that the Senator from Oregon [Mr. STEIWER] has an amendment to offer.

Mr. STEIWER. Mr. President, I send to the desk an amendment, which I ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Oregon will be stated.

The CHIEF CLERK. On page 53, line 8, after the word "hereby", it is proposed to insert:

Upon giving 60 days' notice and opportunity for public hearing to the parties to such contract.

Mr. STEIWER. Mr. President, a little earlier in the afternoon the Senate refused a reconsideration of the vote by which section 6 had been stricken from the bill. There is now no opportunity for further consideration on the general question of striking out the paragraph. It is a part of the bill by the action of the Senate. The only purpose of the amendment which I have now sent to the desk is to provide that before the President shall exercise the power to modify or cancel he shall give notice to the contracting parties and permit them opportunity for hearing.

Mr. BYRNES. Mr. President, I accept that amendment. I think it is fair.

Mr. STEIWER. I thank the Senator.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Oregon.

The amendment was agreed to.

Mr. COPELAND. Mr. President, I am glad the Senator from South Carolina has accepted the amendment; but I want to say two or three words more on this subject of shipping, even though the Senator from Utah [Mr. KING] intimated that I had made the same speech a hundred times. I have not made the speech as many times as the Senator from Utah has complained about the appropriations carried in the individual appropriation bills; but there have been so many misstatements in the RECORD about the shipping business that I desire to insert a letter regarding it.

On the 31st of May, at page 4645 of the RECORD, the Senator from Alabama [Mr. BLACK] made certain criticisms regarding the salary paid the head of one of the shipping

lines. I want the truth about that matter to appear; and I ask that the letter received by me from Mr. Franklin D. Mooney, president of the New York & Cuba Mail Steamship Co., may be inserted in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter is as follows:

NEW YORK & CUBA MAIL STEAMSHIP CO.,
Washington, D.C., June 1, 1933.

Hon. ROYAL S. COPELAND,

United States Senate, Washington, D.C.

DEAR SENATOR COPELAND: I happened to arrive in Washington this morning to keep an appointment, and while here my attention was called to certain statements made by Senator BLACK on the floor of the Senate in connection with the salary paid the president of the New York & Cuba Mail Steamship Co. As I happen to be the president of that company, I naturally am quite familiar with the amount that is paid. I am sure Senator BLACK would not wish the RECORD to set forth statements which are not borne out by the facts, and with a view to enabling you to correct a wrong impression that can easily be created by what was put in the RECORD, I desire to submit the following facts.

The New York & Cuba Mail Steamship Co. does not now and at no time has it paid me a sum as great as the minimum fixed in the so-called "Black amendment." At the present time, the New York & Cuba Mail Steamship Co. pays me an annual salary of \$12,825, and the expenses incurred by me for a period covering from 1929 to 1932 have never been in excess of \$1,100 per annum, which covers from one to three trips annually to Cuba and to Mexico, railroad fares, hotels, taxis, telephone calls, etc. For the same period fees paid to me for attendance at directors' meetings have never exceeded \$220 per annum.

Senator BLACK made reference yesterday to some low rates of interest charged by the Shipping Board on construction loans. Inasmuch as he had just previously mentioned the name of the New York & Cuba Mail Steamship Co., it might be inferred that such loans were made to that company. In order that no such impression may be created, I desire to state to you that while loans were made by the Shipping Board in connection with the construction of the steamers *Oriente* and *Morro Castle*, the rates of interest which applied on such loans were 2½ percent and 2¾ percent. Of course, you know these rates of interest apply only while the vessels are engaged in the foreign trade and that for any period of time that they would engage in a domestic trade, the rate of interest would be 5½ percent.

While passing through Washington, I thought it might be desirable to give you these facts in case you wish to correct the Senate RECORD.

Very truly yours,

FRANKLIN D. MOONEY, President.

Mr. COPELAND. Mr. President, I want to call attention also to the fact that the shipping industry employs 75,000 men, not counting those employed in offices and agencies in the interior of the country. So, when we talk about destroying the shipping lines and criticizing them because they cost money to operate, we are seeking to destroy one of the greatest employers of labor in all the industrial life of our country.

Mr. President, this afternoon I heard statements made about the wickedness of subsidizing American shipping. I heard the Senator from Utah talk about how the shipping of other countries could be carried on, and how successful that shipping was. There is not a country on the face of the earth that has any shipping industry or any merchant marine that does not subsidize that merchant marine. If we are willing in this country to repeal the La Follette Acts, and let our seamen work under the same conditions under which seamen on foreign ships work, the same conditions under which the Chinese coolies are employed, we can maintain an American merchant marine, but if we are to maintain the high standards of American labor, such as we desire to maintain in the United States, we will have to subsidize our American merchant marine, just as the shipping lines of other countries are subsidized and assisted.

Mr. President, I know how useless it is to talk about this matter. I am distressed beyond words that the Democratic Party should be responsible for the ultimate destruction of the American merchant marine. It will not look well in the future when we find out that the shipping lines of our country, which were assisted during the administrations of the Republican Party, are now no longer to be assisted. That will not redound to the glory of the Democratic Party.

I wanted to say that last word, because I am satisfied, as I told the shipping interests recently, that there is no use making any further appeal to this body. The Senate has

determined, apparently, upon a course which will mean the destruction of these lines, and there will be thrown back upon our country about \$200,000,000 worth of ships. Then the time will come, may I say to my friend from Washington, that in the operating fund, if we are still operating the ships, there will be millions far in excess of the fifty million which he thought could be found in the fund, because if we are to operate these lines as Government lines we will appropriate every year probably fifty or one hundred million dollars in excess of what we appropriate now.

Mr. President, what I have said I have said in perfect good feeling. It is the right of every Senator to vote his convictions, and if Senators have voted their convictions and are willing to have this great burden placed upon the American merchant marine, already only 2 knots ahead of the sheriff, that is for the Senate to decide; but I am frank to say that we have made today a very great mistake, and one which, in the language of the Senator from Louisiana, we will come to regret.

Mr. BONE. Mr. President, I merely want to say one word in answer to the Senator from New York. I think it is rather a remarkable spectacle when steamship companies can get subsidies of from five thousand to one hundred thousand dollars a pound for hauling mail in boats given to them for a song. These subsidies in themselves are sufficient to amortize the whole investment, including remodeling loans, and yet the companies claim they cannot make a success of the thing. How much do they want out of our depleted Treasury?

I want to say to the Senator from New York that, while I do not know whether it is true as to the eastern lines, if we go to the boats on the west coast we will find Chinese and Filipinos working on them. Filipinos are brought over here to take jobs which ought to go to Americans, and these steamship companies are being subsidized out of the Treasury of the United States to keep these Filipinos on the pay rolls. Not long ago a ship came to your east coast under lease with a Chinese crew of over a hundred members. The picture is not a pleasant one.

The VICE PRESIDENT. The question is, Shall the amendments be ordered engrossed and the bill read the third time?

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

ABANDONMENT OF THE GOLD STANDARD—STATEMENT BY SENATOR METCALF

Mr. McNARY. Mr. President, the Providence Journal, in the issue of May 30, 1933, contained an informative and interesting statement by the able senior Senator from Rhode Island [Mr. METCALF] on the abandonment of the gold standard, and I ask unanimous consent to have the statement printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The question of what shall be the basis for our money has been before this country almost from the beginning of the Government. There have been times when the havoc of war or disruptions in the flow of commerce have turned the thoughts of our statesmen to problems of monetary change. In the past 3 months we have witnessed the abandonment of the gold standard as a temporary economic expedient. But now we are asked to remove permanently the foundation of our currency and to break faith with the people of the United States and foreign holders of our bonds by repudiating an honorable contract.

CHARGES REPUDIATION

It has been the unwavering adherence to public faith that has made the credit of this Government as good as the gold which guaranteed it. Even at the time of the Civil War, when the very existence of the Union was threatened, the Government fought against staining its honor by repudiation of its contract. The statesmen of that day who sought to destroy the sanctity of the public pledge have never completely removed the stigma of their acts. In 1894 President Cleveland unflinchingly fought to maintain the honor of his country and preserve the sacred integrity of the Government.

We have had every reason to believe that the acts of the administration since the 4th of March have been temporary and of emergency character. We have been assured that an inflationary program, cautiously inaugurated and carefully controlled, was a part of the war against a temporary world depression. Why, then, if a carefully controlled and little-used inflationary power is to be

exerted, are we now asked to enact into law this complete destruction of the gold monetary basis? Why are we virtually commanded by the Executive to repudiate an honest debt, and to dishonor a contract of the United States Government? What is the real reason for this bill? I think that question will remain unanswered; that is, unless some of the academics who are using this Government as an experimental laboratory will prepare a thesis in reply.

With three and a half billions of the world's gold held by the Government; with a record for honorable discharge of public obligations unstained; with the credit of the Government unimpaired, why should we go off the gold standard? The only answer to that question is the bare fact that the sponsors of this measure are intending to transfer property from one group of citizens to another. They intend to assume the role of partitioner of property by dishonoring a contract.

ETHICS REMAIN UNCHANGED

The Constitution of the United States is not a paper idol before which the Government must bow in abject humility, but it has been, and should continue to be, the foundation and the watchlight of our Government. A Government note or a Government bond should be equally sacred. We would not openly repudiate the Constitution, so why should we openly repudiate a constitutional debt?

The problem of the constitutionality of this act is important, but even should the Supreme Court affirm the right of Congress to repudiate a public contract, the affirmation would be only of that right. The decision could in no way relieve the offense against our national honor nor change wrong to right. It would simply affirm the power of the Government to commit an act but would in no way pass upon the justice of that act. It would not affirm the autocratic axiom that "might makes right."

As late as April 23 the Treasury Department borrowed money with the promise to repay in gold or its equivalent. Has the actual value of these borrowed dollars undergone a change? Or is the Government putting itself in the position of borrowing and then refusing to pay in kind? On these late debts there can be no semblance of argument in justification of this bill.

TO PAY WITH CHEAP MONEY

This bill simply means that the Government breaks faith with its creditors and legalizes broken faith in private contracts. It means that debts will be paid in cheapened money. How cheap that money will be, nobody knows. Germany could repay borrowed fortunes with a piece of worthless paper following her program of inflation. Are we to drift in the same direction?

The experience of Germany with currency inflation should be sufficient to demonstrate to the American people the utter fallacy of a movement of this kind. Inflation may mean the issuance of more and more paper money, accepted simultaneously with endlessly rising prices. In other words, the effect of paper inflation would be a reduction in the value of wages and of all sound money.

An increasing price of basic commodities will undoubtedly be accomplished by abandonment of the gold standard and the subsequent inflation. The price of the necessities of life will soar, as will common stocks, a movement already started—that is, they will soar in paper value but not in actual value, as the purchasing power of the dollar decreases, particularly when the actual value is measured in commodities rather than fiat dollars. Following the currency inflation in Germany it took as much as a million marks in paper currency to buy a good meal. The life savings of people were completely wiped out, and the value of insurance policies became virtually nil. It has been admitted by Germans of highest authority that Germany cannot recover from this colossal blunder for 100 years.

FEARS TERRIFIC INFLATION

"The effect of such terrific inflation as may follow this bill may be the complete destruction of our whole financial system. It might easily end in such inflation as that which Germany experienced. In Germany commodity prices and common-stock prices soared. Mortgages and bonded indebtedness, including Government bonds, became worthless. Insurance policies were paid in valueless currency. The cost of living rose so much more rapidly than salaries that factories were forced to pay off twice a day, and even then a day's wages often would not buy a loaf of bread. The savings of people were completely lost, and foreign trade was virtually exterminated by virtue of a complete embargo on importations. Germany was eventually forced to reestablish her currency on a gold basis, but only after a chaotic suffering such as she had never seen before.

"We should not jeopardize our whole financial structure by abandoning our money basis. Such a program is destructive to social progress, and it would retard the natural recovery of this country for many years. We should inaugurate an orderly program of economy and business stimulation, based upon sound credit and confidence. So long as there is in the air the possibility, however remote, of an endless and uncontrolled inflation program, confidence cannot possibly return and business men most assuredly will not jeopardize their future by planning and carrying out elaborate industrial programs. I most sincerely hope that the time will never come when the credit of the United States will be destroyed. Why drive our capital abroad? As Germany did.

"We cannot break faith and retain confidence at the same time."

THE GOLD STANDARD

Mr. FLETCHER. Mr. President, I move that the Senate proceed to the consideration of House Joint Resolution 192, to assure uniform value to the coins and currencies of the United States.

The motion was agreed to; and the Senate proceeded to consider the joint resolution (H.J.Res. 192) to assure uniform value to the coins and currencies of the United States.

EXECUTIVE SESSION

Mr. ROBINSON of Arkansas. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

CHANGE OF REFERENCE

Mr. GEORGE. Mr. President, the nomination of E. Barrett Prettyman, of Maryland, to be General Counsel for the Bureau of Internal Revenue, was referred to the Committee on the Judiciary. I ask unanimous consent that that committee may be discharged from the further consideration of the nomination and that it be referred to the Committee on Finance. I may state, in this connection, that I have discussed the matter with the Chairman of the Committee on the Judiciary [Mr. ASHURST], and he agrees.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Committee on the Judiciary will be discharged from the further consideration of the nomination, and it will be referred to the Committee on Finance.

REPORTS OF COMMITTEES

Mr. WALSH, from the Committee on Education and Labor, reported favorably the nomination of George F. Zook, of Ohio, to be Commissioner of Education, vice William John Cooper.

Mr. SHEPPARD, from the Committee on Military Affairs, reported favorably sundry nominations in the Army.

The VICE PRESIDENT. Are there further reports of committees? If not, the calendar is in order.

DEPARTMENT OF THE TREASURY

The Chief Clerk read the nomination of Thomas Hewes, of Connecticut, to be Assistant Secretary of the Treasury.

Mr. ROBINSON of Arkansas. Mr. President, it is my understanding that on yesterday when this nomination was called there was an agreement that the nomination should go over until Mr. Hewes, the nominee, could appear before the Committee on Finance. I therefore ask that the nomination go over for the day.

The VICE PRESIDENT. The nomination will be passed over.

CUSTOMS SERVICE

The Chief Clerk read the nomination of Arthur A. Quinn, of New Jersey, to be comptroller, customs collection district no. 10, New York, N.Y.

Mr. COPELAND. Mr. President, so many questions have been asked me about this appointment that I wish to say a word.

While it is true that the Comptroller of Customs holds an office in New York City, it is a sort of a tradition that the person who holds it shall come from the State of New Jersey. Colonel Foran has made a very acceptable comptroller. He has been there for years, and is very highly thought of; and if his successor will be as good as Colonel Foran has been, I am sure that everybody in New York belonging to the Democratic Party will be very happy. I wanted it to be understood why it is that, while this man appears to hold an office in New York City, as a matter of fact it is the port of New York, and custom is being followed by the appointment of a New Jersey man to the position.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of Clement L. West to be collector, customs collection district no. 46, Omaha, Nebr.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of John Bright Hill to be collector, customs collection district no. 15, Wilmington, N.C.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

The Chief Clerk read the nomination of James J. Connors to be collector, customs collection district no. 31, Juneau, Alaska.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

DEPARTMENT OF THE INTERIOR

The Chief Clerk read the nomination of William Zimmerman, Jr., of Illinois, to be Assistant Commissioner of Indian Affairs.

The VICE PRESIDENT. Without objection, the nomination is confirmed.

That completes the calendar.

RECESS

Mr. ROBINSON of Arkansas. Mr. President, as in legislative session, I move that the Senate take a recess until 11 o'clock tomorrow.

The motion was agreed to, and (at 6 o'clock and 55 minutes p.m.) the Senate, as in legislative session, took a recess until tomorrow, Saturday, June 3, 1933, at 11 o'clock a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate June 2 (legislative day of May 29), 1933

ASSISTANT COMMISSIONER OF INDIAN AFFAIRS

William Zimmerman, Jr., to be Assistant Commissioner of Indian Affairs.

COMPTROLLER OF CUSTOMS

Arthur A. Quinn to be comptroller of customs, customs collection district no. 10, New York, N.Y.

COLLECTOR OF CUSTOMS

Clement L. West to be collector of customs, customs collection district no. 46, Omaha, Nebr.

John Bright Hill to be collector of customs, customs collection district no. 15, Wilmington, N.C.

James J. Connors to be collector of customs, customs collection district no. 31, Juneau, Alaska.

HOUSE OF REPRESENTATIVES

FRIDAY, JUNE 2, 1933

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D.D., offered the following prayer:

Heavenly Father, as Thou art so merciful unto us, teach us to be merciful unto others. May we hear and obey the commandment—do unto others as we would have them do unto us. Hasten the day when those jealousies shall cease which have separated nations so long and dashed one upon the other. Grant, our Father, that the citizens of our own land may live intelligent and obedient lives, and that the hearts of our people may more and more cleave together. Blessed Lord God, may a high standard of morality and essential unity live and prevail throughout our entire Nation. Be with any who may be perplexed in business and upon whom care and anxiety are weighing heavily. Hear our prayer and be pleased to give direction to the deliberations of this day, and unto Thee be eternal praise and glory. Amen.

The Journal of the proceedings of yesterday was read and approved.

PERMISSION TO ADDRESS THE HOUSE

Mr. GREEN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. GREEN. Mr. Speaker, it is my purpose at a later date to speak on the subject of the canal across Florida, but this morning I ask unanimous consent to extend my remarks and present therein a memorial from my legislature to the Congress.

The SPEAKER. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. GREEN. Mr. Speaker and my colleagues, the canal across north Florida is the most important waterway which has been suggested since the construction of the Panama Canal. It, we believe, will handle as much or probably more tonnage than is handled by the Panama Canal and will rebound greater benefits to the American people.

The proposed canal across north Florida is by no means a local project, but is decidedly a national project and will benefit every one of the States of the Union and all citizens therein.

This project has been a dream of several generations, but was in a dormant stage until in 1927 I introduced a survey bill which the Congress passed, and then in 1930 it was my pleasure to introduce a further survey bill, which the Congress passed in the general rivers and harbors bill. Under the provisions of this survey bill the Board of Army Engineers are now completing the surveys, and we hope for a favorable report.

During almost each session of the Congress since I have been a Member you have patiently listened to my discussion of this most worthy project, and I trust that the next time I address you upon this subject it may be the last one necessary. It is a project full of merit, and, frankly, I believe the American people, under the able leadership of President Roosevelt, will soon realize the beginning of actual construction of this great waterway improvement.

The people of my State are deeply interested and are offering the Federal Government every possible cooperation. I am glad to now submit the recent memorial of the Florida Legislature urging prompt action upon the project.

The memorial follows:

SENATE COMMITTEE SUBSTITUTE FOR HOUSE CONCURRENT RESOLUTION NO. 11—JOINT MEMORIAL OF THE SENATE AND HOUSE OF REPRESENTATIVES OF THE STATE OF FLORIDA

A memorial to the President of the United States requesting the assistance and cooperation of every available Federal agency in order to make possible at an early date commencement of construction work on a ship canal across the peninsula of the State of Florida

Whereas the construction of a ship canal across the State of Florida will give employment to a vast amount of human labor, thus greatly relieving the distress due to the unemployment crisis, at the same time creating a valuable commercial and military asset which will in the course of time repay its own cost through the collection of reasonable tolls from ships using the canal; and

Whereas the constitution of the State of Florida contemplates with favor the construction of such a canal across the State and makes provision for and authorizes special legislation in order to facilitate such construction, and the Legislature of the State has now created a public corporation known as the "Florida Ship Canal Authority" and has granted to said corporation a franchise with full power and authority to construct said canal; and

Whereas such a canal will cut off approximately 500 miles of distance by the water route between New Orleans and the Gulf ports on the one hand and New York and Liverpool on the other, will eliminate the danger to shipping incident to passage through the Florida straits, will bring about tremendous savings by reason of the resultant reduction in time, insurance, and other transportation costs, and will constitute a valuable asset to our national defense; and

Whereas such a canal will largely solve the distribution problems of the Mississippi Valley and of the southeast section of the United States, will greatly aid the agricultural and industrial activities in said section by furnishing them perpetual and cheap transportation to the Atlantic seaboard where the best markets are located, will enhance the value of the farm lands through the producing of means for delivering their produce to market, and will offer material advantages and benefits to fully one half of the producing area of the United States; and

Whereas said ship canal, while rendering this valuable service to labor, industry, agriculture, and ocean shipping, will at the same time, and without additional cost, provide a connection between the Atlantic coastal waterway and the Gulf coastal waterway for barges and small craft plying between Boston, Mass., and Gulf of Mexico ports; and

Whereas the Corps of Engineers of the Army of the United States, pursuant to authorization of Congress, is now completing

an exhaustive physical survey of various possible routes for such a canal and of the costs of the construction thereof; and

Whereas an application is now pending with the Reconstruction Finance Corporation of the United States for a loan of sufficient funds with which to construct said canal, such loan to be self-liquidating in character: Now, therefore, be it

Resolved by the Senate of the State of Florida (the House of Representatives concurring), That the President of the United States be, and he is hereby, respectfully urged to approve of said construction project as an effective measure in relieving unemployment and stimulating industry, and that he be, and he is hereby, further requested to procure the assistance and cooperation of every appropriate and available Federal agency in order that construction work upon said project may be commenced at the earliest possible date; be it further

Resolved, That the secretary of state be directed to furnish a certified copy of this memorial to the President of the United States, to each of our Senators and Representatives in Congress, to the Reconstruction Finance Corporation of the United States, and to the Associated Press.

Approved by the Governor of Florida May 27, 1933.

STATE OF FLORIDA,

Office Secretary of State, ss:

I, R. A. Gray, secretary of state of the State of Florida, do hereby certify that the foregoing is a true and correct copy of senate committee substitute for House Concurrent Resolution No. 11, as passed by the Legislature of Florida, session 1933, and filed in this office.

Given under my hand and the great seal of the State of Florida, at Tallahassee, the capital, this 30th day of May A.D. 1933.

[SEAL]

R. A. GRAY,
Secretary of State.

Mr. TINKHAM. Mr. Speaker, I ask unanimous consent to address the House for 20 minutes.

Mr. PARKS. Mr. Speaker, on yesterday afternoon the distinguished gentleman from Massachusetts asked permission to address the House for 20 minutes. Not a Democrat on this side objected, but during the afternoon the Republicans conducted a filibuster, that took more time than would have been consumed by the distinguished gentleman from Massachusetts. Therefore I feel constrained to object.

Mr. SNELL. Mr. Speaker, reserving the right to object, let me ask the gentleman from Arkansas a question. I understood him to say not a Democrat objected. I remember well that the gentleman from New Jersey [Mr. KENNEY] objected and the gentleman from Illinois [Mr. O'BRIEN] objected. If I am wrong, I wish to be corrected.

Mr. CARPENTER of Nebraska. Mr. Speaker, I object.

Mr. Speaker, I withdraw my objection.

Mr. BYRNS. Mr. Speaker, reserving the right to object, may I say I told the gentleman from Massachusetts on yesterday that if he would postpone his request until after the consideration of the rules that I would not object and that I hoped nobody else would object. Now, we on this side were not responsible for the long time that was taken upon those rules, and, of course, neither was the gentleman from Massachusetts; and I do not want to penalize him for what somebody else did.

I may say that if this time is given I hope the House will be patient, as I know it will be when the debate starts, and we can conclude general debate on this bill today and perhaps take up something else, postponing the consideration of the bill under the 5-minute rule until tomorrow, provided the House will agree to meet at 11 o'clock. Otherwise we cannot do it. We are anxious to get rid of this bill in order that we may be nearer adjournment.

Mr. SNELL. I may say to the gentleman from Tennessee there is no disposition on this side of the aisle to delay the orderly process of the consideration of this bill.

Mr. BYRNS. Mr. Speaker, at this time I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow.

Mr. CELLER. Mr. Speaker, reserving the right to object, and I shall not object, I should like to have 5 minutes to address the House after the address made by the gentleman from Massachusetts [Mr. TINKHAM]. I wish to speak on the subject of Postal Savings, which matter is to be considered by the conferees on a pending bill.

Mr. BYRNS. I think the gentleman will have an opportunity to address the House later in the afternoon. We can sit a little longer. I am willing.

Mr. CELLER. When will the opportunity be granted, may I ask the gentleman from Tennessee?

Mr. BYRNS. After we conclude general debate on this bill, if the House wants to remain in session and hear the gentleman, he may then address the House.

Mr. SNELL. I hope the request of the gentleman from New York will not be tied up with the request of the gentleman from Massachusetts.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow?

There was no objection.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts that he be permitted to address the House for 20 minutes?

There was no objection.

Mr. TINKHAM. Mr. Speaker, the honorable Representative from the First Congressional District of my own State did an unprecedented thing in the House the day before yesterday. He attempted to influence the Committee on Rules in its action on a resolution which I had just introduced in the public interest. The resolution provided for an investigation of the relations of Norman H. Davis with international bankers, particularly J. Pierpont Morgan & Co., fiscal agents of the British Government, with international business interests, and with certain disloyal and seditious organizations. Mr. Davis is now representing the United States at Geneva, where he is publicly proclaiming the abandonment by the United States of its traditional policy in relation to its foreign affairs, and at London, where he is negotiating concerning an economic conference soon to be held which will involve not only the foreign debts of the United States but also its general international financial policy.

Defending Mr. Davis, the honorable Representative from Massachusetts stated:

Mr. Davis' honesty and integrity have never been questioned, and if questioned they could not be successfully impeached.

He also stated:

Mr. Davis' life and career are an open book.

Let me read several pages of the "open book", written by the Court of Appeals of the District of Columbia and by the Supreme Court of the United States.

REVERSED IN PART

The chapter of the "open book" written by the Court of Appeals of the District of Columbia has for its title *Las Ovas Co., Inc., v. Davis* (35 App. 372). The chapter concludes with the following unanimous opinion, rendered June 1, 1910:

OPINION OF THE COURT

We will first consider the errors assigned by the defendants, Davis and Phillips. Their first contention is that the bill should have been dismissed because the suit was not properly authorized. This contention was urged upon the trial court. The record shows that when the resolution authorizing the bringing of the suit was passed, the president of the company and all the members of the board of directors save two—Davis being one—were present, and all save Davis had notice of the meeting. It is urged that this being a special meeting of the board, Davis should have had notice. Davis, who resided in Cuba, and who was there when this meeting was held, had, before leaving Washington, given Reid a power of attorney to vote for him at meetings of the board of directors, saying that notice of special meetings need not be sent him, as he could not come here to attend them. While a director may not legally delegate his powers, we see no reason, especially where he is without the jurisdiction, why he may not waive notice; and having waived notice, as in this case, he is estopped subsequently to alleged lack of notice.

The second ground for the dismissal of the bill is the defect of parties, the contention being that Herbert and Micou should have been joined as parties defendant. This contention is without merit. When the suit was instituted, the complainant was without knowledge that Mr. Micou had received anything more than his share of the promoters' stock, and the answer of the defendants did not disclose that he had received anything more. It is nowhere intimated in the record that Mr. Herbert knew, or had reason to know, of his partner's participation in secret profits. Herbert and Micou were not indispensable parties (*Stockton v. Anderson*, 40 N.J. Eq. 486, 4 Atl. 642). Except in the case of indispensable parties, the rule is well established that objection for want of parties, to be available, must be made early (*Landram*

v. *Jordan*, 25 App. D.C. 299, 300). Moreover, Micou, on the institution of this suit, had parted with his stock, and, since the decree appealed from does not charge the defendants with liability for the secret profits of Micou, they are in no way prejudiced by the failure to include him as a party.

The last ground for the dismissal of the bill is that the petitioner was not competent to maintain suit for the relief sought. The defendants base this contention upon the opinion in *Old Dominion Copper Min. & Smelting Co. v. Lewisohn* (210 U.S. 208, 52 L.ed. 1025; 28 Sup. Ct. Rep. 634). In that case members of a syndicate acquired properties for the purpose of conveying them, at an excessive valuation, to a corporation they were to organize. The new company, composed entirely of themselves, was formed, every incorporator having full knowledge of all the facts. Thirteen fifteenths of the stock of the company was held by the original incorporators and two fifteenths subsequently passed into the hands of innocent holders. Thereupon a bill was brought by the corporation against the estate of one of the deceased promoters, who had acted nominally as a vendor to the company of part of the property, but who was really acting for the benefit of all the proposed incorporators, to rescind the sale of that portion of the property, or to recover damages. A demurrer was interposed and sustained by the trial court. The Supreme Court sustained the decree on the ground that, the company having "assented to the transaction with the full knowledge of the facts", its action remained binding on itself after changes in its members and an increase in its capital stock, such changes and increase not affecting its identity. The court said: "The difficulty that meets the petitioner at the outset is that it has assented to the transaction with the full knowledge of the facts. If there had been innocent members at the time of the sale, the fact that there were also guilty ones would not prevent a recovery. Here thirteen fifteenths of the stock had been taken by the syndicate, the corporation was in full life, and had assented to the sale with knowledge of the facts before an outsider joined."

From our reading of the decision we think the defendants have misconceived its purport. As we read it, it is a reaffirmation of the doctrine that members of a syndicate to purchase property for a corporation to be formed by them stand in a fiduciary relation toward that corporation and that they will not be permitted to make a secret profit on the sale of such property to the corporation. *Yeiser v. United States Board & Paper Co.* (52 L.R.A. 724, 46 C.C.A. 567, 107 Fed. 340); *Loudenslager v. Woodbury Heights Land Co.* (56 N.J. Eq. 411, 41 Atl. 1115, affirming 55 N.J. Eq. 78, 35, Atl. 436); *Erlander v. New Sombrero Phosphate Co.* (L.R. 3 App. Cas. 1218, 6 Eng. Rul. Cas. 777). In the latter case the facts did not differ materially from the facts in the case at bar. There a syndicate entered into an agreement to sell at a profit, to a company to be organized by the sellers; but there were innocent stockholders when the company was organized, and, as the Supreme Court said in its review of the facts in its opinion in the *Lewisohn case*, *supra*, "there never was a moment when the company had assented with knowledge of the facts." So here, there never was a moment when the company, with knowledge of the facts, consented to pay \$35,000 for property which it should have obtained for \$20,000. The complainant was, therefore, imposed upon and defrauded, and, we think, entitled to maintain this suit.

We will here consider complainant's assignment of error relating to that part of the decree below allowing the defendant Davis to retain the 22 shares of promoters' stock now held by him. In entering upon the consideration of this question, it must be remembered that this is a proceeding in equity, and addressed to the conscience of the court. One of the last things which a court of equity should do is to reward duplicity, or make it possible for those guilty of a fraud to reap substantial benefit therefrom.

The members of this syndicate engaged therein for the purpose of acquiring and developing land in Cuba. The defendants represented, and Reid supposed, that they were acting in good faith, and advancing their pro rata share of the money necessary for the preliminary work of investigation, and later toward their pro rata share of the amount of the purchase money of the property acquired. Instead of acting in good faith, as their fiduciary relation especially demanded, they deceived and defrauded complainant by requiring it to pay \$35,000 for property which had really cost but \$20,000.

Instead of advancing in good faith the pro rata amounts required of them in the legitimate prosecution of the enterprise, they advanced nothing and, by the before-mentioned fraudulent methods, obtained assessable stock of the complainant. This the court had rightly ordered canceled. Can it be possible that equity demands that the promoters' stock, which these men procured under the conditions mentioned, and which is now in the possession of one of the guilty parties, and burdened with all the evidences of the fraud, should escape the condemnation of the court? As we view this record, the fraud of these parties taints the entire proceeding. There never was a moment, according to the record, when they really intended to invest a dollar in the enterprise. To be sure, they devoted some time to the project, but their good faith was at no time apparent. The theory upon which the assessable stock has been ordered to be surrendered and canceled is that it represents secret profits derived from the complainant. What does the promoters' stock now in the hands of Davis represent? It was acquired upon the theory that the members of the syndicate, having in good faith devoted their time and invested their money in inaugurating and prosecuting the enterprise, were entitled to special consideration by reason thereof. Instead of acting in good faith, the defendants practiced deceit upon the com-

plainant, which, we think, is of such a nature and so closely related to the question now under consideration as not to justify a court of equity in distinguishing between the two kinds of stock. Of course, it was necessary for someone, if the property was to be acquired, to furnish the money. The defendants not only did not furnish any, but in addition to all the stock which they acquired there still remains in their hands over \$15,000 secret profits. Can it be that such a betrayal of trust should be rewarded by recognizing the validity of the promoters' stock thus acquired? Can it be that in a court of equity such gross breach of trust as these men have been guilty of is to be rewarded to such an extent? The assessable stock which has been ordered canceled represented the fruits of a fraudulent conception, and yet, but for the fraud practiced upon the complainant, the defendants would not have received the promoters' stock. It is evident that they received that stock because it was then supposed that they were honestly acting in the interests of the complainant and assuming their share of the burdens arising. Had it been known that they were not acting in good faith and that they were not investing a dollar in the enterprise it is evident that they would have received no promoters' stock, for they had earned none. As the matter stands, therefore, the 22 shares of promoters' stock, which the decree below has awarded the defendants, represents remuneration for faithful and honest services, freed from all taint of fraud. We are unable to concur in this result. In our view this stock is entitled to no greater consideration than the assessable stock. The character of the profit realized by the defendants cannot purify its source. Their deceit should avail them nothing at the expense of the party defrauded.

The decree will therefore be reversed in part, with costs to the appellant in no. 2030, and the cause remanded with directions to enter a decree in conformity with this opinion.

The chapter of the "open book" written by the Supreme Court of the United States has for its title: *Davis v. Las Ovas Co., Inc.* (227 U.S. 80). The chapter concludes with the following unanimous opinion, rendered January 20, 1913:

OPINION OF THE COURT

This is a bill by the appellee to recover from appellants secret profits made by them as promoters of the Las Ovas Co. in the purchase of a part of a tract of land known as "Las Ovas" in the Republic of Cuba, and also for the cancelation of certain shares of stock issued to them as promoters.

The facts essential to judgment are not in serious dispute. They are found clearly and fully stated in the opinion by Mr. Justice Gould of the Supreme Court of the District of Columbia, and again in the opinion of the Court of Appeals of the District by Mr. Justice Robb.

From the facts found by both courts it appears:

(a) That the appellants and certain other persons, not parties to this suit, signed an agreement on March 19, 1904, by which they agreed to purchase for a corporation which they were to organize a specified part of a tract of land in Cuba called the "Las Ovas plantation", for the price of \$34,000, to which it was later agreed to add another small parcel at an additional price of \$1,000.

(b) It was further agreed that they should organize a corporation, of which they should be the incorporators, with a capital stock of \$150,000, and that 40 percent of the shares should be issued to them for service as promoters and that the remaining stock should be subscribed for by them. For this subscribed stock they were to pay an amount sufficient to cover the purchase money of \$35,000 and to create an expense fund of \$5,000.

(c) It was agreed that the property should, when acquired, be placed in the hands of one of the group of promoters until the formation of the company, and then conveyed to it.

(d) The scheme was one originated and engineered by the appellants, who at the time of this agreement had already secretly secured an option for themselves for the purchase of this property at the price of \$20,000. To conceal the true consideration from their associates they caused the property to be conveyed by the vendor to one Escalante, a stranger selected by them. The deed to Escalante recited the true consideration. Later, in pursuance of the promoters' agreement, they caused Escalante to convey to the member of the syndicate selected to hold the title until organization, reciting a consideration of \$35,000.

The corporation was organized as planned. The promoters' shares were duly issued and the remaining shares taken by the promoters upon the agreed terms, its officers and directors being composed exclusively of the members of the syndicate. Thereupon the property was transferred to the company and paid for, through appellants, out of the proceeds of the subscribed stock.

The result of the transaction was that the corporation was required to pay to those who had assumed to act for and represent it a secret profit of \$15,000 and also to compensate them for their services in buying the land and organizing the company by issuing to each of them \$15,000 in nonassessable shares of its stock.

The decree below required the appellants to account for the profits realized by them, in part traced to certain shares in their hands, and to surrender for cancelation the shares issued to them as promoters.

It is now said that the corporation was "a mere convenient receptacle for the property, erected for the convenience of the syndicate." That the property was bought by the syndicate for their own advantage and that the corporation included only the members of the syndicate. That the stock of the company was

all taken by the syndicate, who, for property which was their own, agreed to pay enough to cover the purchase price and create a small expense fund.

Upon this contention it is urged that the corporation has no right to the relief sought, as the whole transaction was a mere form adopted by the parties for their own convenience as owners of the property and owners of the corporation. It is then said: "If we admit, for the purposes of this point, that appellants did deceive some of the syndicate, what has the company to do with it?" For this they cite *Old Dominion Copper Co. v. Lewisohn* (210 U.S. 206), where it was held that a subordinate fraud practiced by some of the promoters of a corporation upon some of their associates was a matter wholly between them and the syndicate which gave rise to no corporate right of action in the absence of innocent incorporators or stockholders.

But that is not this case. Some of those, if not all, interested by appellants in the property and in its purchase for a proposed consideration were ignorant of the real price which they were to pay for it, and were not, therefore, in complicity with their scheme to make a secret profit. These innocent members of the syndicate became stock subscribers and directors of the company, as did appellants. The buyers and sellers were not the same. Those of the syndicate assuming to act for the corporation in acquiring the property were under obligation to disclose the truth and deal openly. In the absence of such disclosure the corporate assent was obtained on false grounds. The wrong was done when those members of the syndicate not in complicity with appellants subscribed to the stock of the company and aided their guilty associate managers in the corporate action necessary to the corporate acquisition of the property at the exaggerated price placed upon it by those who were to realize a secret profit. Thus, the original fraud practiced upon some of those associated with them in the promoters' arrangement became operative against the corporation itself. The standing of the corporation results from the fact that there were innocent and deceived members of the corporation when the property was taken over by it.

Neither is the corporate right of action defeated by the fact that the recovery will inure to the guilty as well as to the innocent, nor is the fact that all of the parties who may have shared in the secret profits are not sued fatal to the case. The corporation may well sue either one or all of those who received secret profits. There is no want of necessary parties because all are not here sued.

The distinction between a case in which all the owners of the property and all of the members of the buying corporation are the same persons, and participate in the profit realized, and the case here presented is fully recognized in *Old Dominion Copper Co. v. Lewisohn*, *supra*, as well as in *Phosphate Co. v. Erlanger* (5 Ch. Div. 73), and in the well-considered opinion of Judge Severens in *Yeiser v. United States Paper Co.* (107 Fed. Rep. 340).

There was no error in canceling the shares issued to the plaintiffs in error for promotion of the corporation. They and the other members of the syndicate received these shares upon the assumption that they had in good faith served the corporation in the procurement of the property. Obviously appellants were serving themselves to the detriment of the corporation and innocent subscribers to its stock. In such a situation the corporation may recover the shares.

The decree will be affirmed.

As may be seen from these pages of the "open book", the man whom the honorable Representative from Massachusetts would have us believe the United States is fortunate to have as its representative abroad has been denounced by two United States courts, one of them the Supreme Court of the United States, as having violated a fiduciary relationship and having taken secret profits, as having dealt in duplicity and fraud for his own benefit, as not having acted in good faith, as having been deceitful and having defrauded his business associates, as having obtained profit by fraudulent methods, as a perpetrator of gross breach of trust; in fact, as dishonest.

Upon this record and upon the record of his relations with J. Pierpont Morgan & Co. as developed by the Senate Committee on Banking, I demand that the present administration recall Norman H. Davis as the representative of the United States at Geneva and at London. [Applause.]

Mr. FISH. Mr. Speaker, will the gentleman yield?

Mr. TINKHAM. I will.

Mr. FISH. Is it not a fact that Norman H. Davis was also indicted in another case in Cuba and was a fugitive from justice?

Mr. TINKHAM. I have had several statements made to me that those were the facts, but I have not ascertained the truth of these statements, so I should not make a statement to that effect.

Mr. FISH. Under what authority is Norman H. Davis acting as a roving ambassador at the present time?

Mr. TINKHAM. I know of no authority.

Mr. FISH. And under what authority of law is he being paid \$17,500?

Mr. TINKHAM. I know of no authority under which he is being paid that amount.

Mr. BYRNS. Will the gentleman yield?

Mr. TINKHAM. Yes.

Mr. BYRNS. Does the gentleman know that the facts stated by the gentleman from New York [Mr. FISH] are true?

Mr. TINKHAM. What facts?

Mr. BYRNS. The fact that he is paid \$17,500 at the present time, and I believe the gentleman has stated he does not know anything about this supposed indictment to which the gentleman from New York referred?

Mr. TINKHAM. I do not have any official information on the subject.

Mr. BYRNS. I want to submit, in justice to a man whose reputation, in my humble judgment, is above reproach, it is hardly fair for the gentleman from New York to insinuate by a question the fact that there was an indictment, when the gentleman—

Mr. FISH. Will the gentleman say—

Mr. BYRNS. Let me get through my statement.

Mr. FISH. The gentleman from Tennessee has not the floor.

Mr. BYRNS. I am speaking with the permission of the gentleman from Massachusetts.

Mr. FISH. But the gentleman does not deny he was indicted in Cuba, does he, or that he is being paid \$17,500 as ambassador at large? The State Department informs me that he does receive such an amount.

Mr. BYRNS. Mr. Speaker, I have not yielded to the gentleman from New York. I know nothing of an indictment. I say it is eminently unfair, by innuendo upon the floor of the House, through an inquiry with reference to an indictment when the gentleman from Massachusetts who, evidently, with his usual keenness, has endeavored to find something upon which he may base his objections to Mr. Davis, himself states that he has no knowledge of the fact.

I want to ask the gentleman this question. How many gentlemen composed this syndicate to which the gentleman has referred?

Mr. TINKHAM. I know no more about it than what appears in the cases from which I have quoted. Four are mentioned, one of whom, it appears, did not participate in the fraud.

Mr. BYRNS. I take it that the opinion of the court stated how many were prosecuted.

Mr. TINKHAM. I have read both opinions in full.

Mr. BYRNS. I take it there were a number.

Mr. TINKHAM. Four, it would appear.

Mr. BYRNS. And as I understand, the gentleman's complaint against Mr. Davis is that he participated in the formation of a syndicate which had property which they purchased for \$20,000 and which was transferred to a corporation for \$35,000, involving a profit of \$15,000 to all the members of the syndicate, and that Mr. Davis, at the very time to which the gentleman referred in the beginning of his remarks, was absent in Cuba and was acting here through a proxy which he had undertaken to give to a member of the board.

Mr. TINKHAM. I do not understand that is the fact. The syndicate was formed in Cuba, with Mr. Davis participating.

Mr. BYRNS. I understood the gentleman to state that. [Here the gavel fell.]

THE BANKING SITUATION

Mr. GIBSON. Mr. Speaker, I ask unanimous consent to extend some remarks of my own in the RECORD in regard to the banking situation.

The SPEAKER. Is there objection?

There was no objection.

Mr. GIBSON. Mr. Speaker, no President ever dealt with a graver crisis than faces President Roosevelt today. He deserves the united support of the people in the same full measure that it would be given in war time.

There should be no play in Congress for Democratic or Republican advantage. The saving of America and her civilization is our common goal.

An erroneous conception of the meaning of cooperation should not carry us to a point where we necessarily agree fully with every administration policy. Constructive criticism helps in the right settlement of problems. The saying of "Yes, yes" to every proposal does not mean true cooperation.

I find myself sharply critical of the policy of the Treasury Department as to the opening of closed banks and the enforcement of regulations for the conduct of banks that have been opened. The Department is advocating a policy of inflation and following a policy of deflation. This results in holding by the banks of billions of assets which should be flowing into the channels of trade and credit.

Complaints have come to me that help is not extended by banks that are now open to farmers and small business men with good local collateral; that the bankers are required to demand payment of obligations of hard-pressed people at a time when it is impossible to meet them; that the great asset of personal integrity is wholly ignored in making loans; that examiners require banks to cross notes off from their assets unless the collateral back of them is listed with some stock exchange, principally the New York stock market; that bankers are instructed to refuse loans which are not certain to be paid in full at maturity; that loans will not be renewed more than once; that stocks in local industries and local assets are not considered sufficient as collateral; that notes are written for 30 days only; that when bonds held by banks go up in market value the banks do not get credit for that appreciation but are compelled to carry the bonds at a depreciated figure; that in many instances when the rural banker comes to Washington and settles a plan for reopening and returns home and appeals with success to local stockholders, depositors, and others to raise the capital agreed upon, requirements are suddenly imposed to the extent that they are impossible of execution; that communities are asked to raise amounts out of keeping with reasonable requirements and wholly beyond the financial ability of the stockholders or the community; and that instead of being helpful to rural sections the Treasury Department by its arbitrary and unreasonable rulings has proved a handicap to any recovery from the depression.

An example comes from a highly reliable source. A farmer owns a well-stocked dairy farm in a high state of cultivation and without encumbrance. The farm and stock are worth several thousand dollars. Two years ago the farmer, desiring to improve his water supply and make other improvements, borrowed \$1,400 on a note signed by himself and his wife at a bank serving a farming community. Owing to the reduction in the price of milk, he had been unable to reduce the mortgage but \$175. The bank holiday came on. A conservator was appointed for the bank. Now it is claimed that the bank examiner refuses to allow the conservator to list that loan as an asset, and has directed that it be taken out of the list of assets because the note has been renewed more than once.

No country bank can exist under such requirements. No community can come back under such handicaps. Many communities are being throttled financially and the good people that live in them driven to a state of desperation. They will not continue in tame submission to the dictates of misguided officials.

The ordinary run of people depend upon the local banks for business credit. The community banker knows every patron; all about his integrity and the value of his property. He knows who is worthy of credit. When these banks are hit, the welfare of millions of working people is seriously affected.

The Treasury Department is trying to force big city bank methods onto country banks. These will not work. I stated recently in the *Record* that we had no bank failure in my State during the depression; that if our Vermont banks had been left alone, they could have worked their way out of any present difficulty; and that any faithful country

banker knows more about service to small communities and the maintenance of their prosperity than all the officials of the Federal Reserve System put together.

The small banks of the country, State and National, must be given a fair opportunity to operate their own affairs according to conditions in each community and yet comply with the rules of good banking. They are the strong support of the economic structure of the country. They must be kept free from the control of the bankers of our centers of population. Country banking matters cannot be adjusted through the channels of the city banks as is being attempted throughout the New England area. We have no so-called "big banker" in that section who knows the needs of rural communities or one who can therefore be safely trusted with their credit.

I am informed that the Office of the Comptroller of the Currency and the Chief Bank Examiner state that there are no standard regulations for reopening banks and no fixed standard of instructions to examiners as to how to treat loans and collateral. If that be so, and if the Treasury Department is permitting examiners from financial centers to enforce the regulations to which I refer, then the Department is directly responsible for the pinched and demoralized conditions in the small communities by reason of the failure to open the banks. If bank examiners have promulgated such regulations, they should be summarily dismissed from the service. These rules breed resentment and encourage disloyalty to our Government. Nothing but intense discouragement and a spirit of hopelessness comes to people making up the communities when burdened by such unreasonable regulations.

The handling of the situation may be a part of a campaign to force all our banks into the Federal Reserve System for further centralization of and control over the credit and resources of the Nation. This is the objective of the radio appeals of paid politicians and impractical college professors about branch banking and a unified banking system. It has been stated here that this may be the practical effect of the banking bill recently passed.

It is reported that an official of the Treasury Department has stated that two banks should be sufficient for the State of Vermont. A plan to have 2 banks serve 400 scattered communities is too absurd to even invite consideration. However, this suggested plan further indicates the ultimate objective of those who seem to be tightening a grip on the administration of the Treasury Department.

Our country bankers do not scheme to ruin men or business. They do not indulge in the practice of issuing worthless securities. They are not planning all the time how to get something for nothing. They do not organize and operate affiliates to get the benefit of control of other people's money. They do not challenge and defy the laws of the country. Why put our country banks under the control of those who are guilty of such practices?

The argument that because many small banks have failed we need a new banking system made up of large banks is not convincing. We may, with equal force, argue that we should scrap our whole industrial system because there have been many business failures.

Our Vermont banks prospered up to the time of the so-called "holiday." They have been the mainstays of our agriculture and business. They have been of great help to communities in other States. Their money has gone into almost every State west of the Mississippi River. We are proud of their contribution to the building of a great Nation. Their success proves the fallacy of the argument for their replacement.

I plead for the small community, for the country banker, for the small business man, for the small investor, for those who have struggled through the years to lay up meager savings against the days of old age, for the home and all it stands for, for a fair opportunity to work out our own problems; for individual initiative and fair competition.

Let us get back to the old ideals, to the old ways of thrift and common honesty, to faith in the institutions given us by our forbears, to the paths that led us from a few strug-

gling communities along the Atlantic seaboard to a great Nation which became the hope of all Christendom.

The strongest contributing factor in our upbuilding has been the country bank. Let us protect this institution and the community where it exists from ruin at the hands of officials who are today imposing these destructive regulations.

Mr. KRAMER. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to extend my remarks in the RECORD with reference to the construction of a new city hall in the city of Huntington Park, under the new national construction act.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. KRAMER. Mr. Speaker, on Tuesday next, June 6, the city of Huntington Park, in my congressional district, the thirteenth, will vote on a proposed \$100,000 bond issue for the construction of a new city hall. I am hopeful that it will be overwhelmingly approved. It is a most commendable and highly necessary project, not only to inure to the benefit of the people of Huntington Park for the transaction of public business in the future but will be giving many men employment. It is in line with the great public-works program of President Roosevelt. The passage of this proposed bond issue, I have no doubt, is certain and will be indicative of courage and foresight of the people of Huntington Park in rebuilding made necessary by the disaster which overtook them in March of this year.

INTERSTATE RAILROAD TRANSPORTATION

Mr. POU. Mr. Speaker, I call up House Resolution 169. The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of S. 1580, an act to relieve the existing national emergency in relation to interstate railroad transportation, and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill and continue not to exceed 3 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interstate and Foreign Commerce, the bill shall be read for amendment under the 5-minute rule. It shall be in order to consider without the intervention of any point of order the substitute committee amendment recommended by the Committee on Interstate and Foreign Commerce now in the bill, and such substitute for the purpose of amendment shall be considered under the 5-minute rule as an original bill. At the conclusion of such consideration the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and any Member may demand a separate vote in the House on any of the amendments adopted in the Committee of the Whole to the bill or committee substitute. The previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. POU. I should like to ask the gentleman from Pennsylvania if he wants time on that side?

Mr. RANSLEY. I will say that it is an open rule, and there is no disposition to oppose it on this side.

Mr. POU. Mr. Speaker, I will consume just enough time to say that this rule provides for the consideration of the so-called "Railroad Act" an act to relieve the existing national emergency in relation to interstate railroad transportation. It is an open rule, except where it has provided against the intervention of points of order. It provides for 3 hours' general debate, after which the bill is to be read under the 5-minute rule, and of course is subject to amendment.

Mr. SNELL. Will the gentleman yield?

Mr. POU. I will.

Mr. SNELL. We appreciate the fact that this is an important piece of legislation, and when you bring in a rule for the consideration of important legislation under the general rules of the House there will be no desire on this side of the House in any way to interfere with the reasonable and regular procedure of the House. We are for the rule.

Mr. POU. Inasmuch as the Committee on Rules in this particular instance succeeded in bringing in a rule which

is satisfactory to both sides of the House, I see no need of consuming further time.

Mr. KVALE. Will the gentleman yield?

Mr. POU. Yes.

Mr. KVALE. I should like to ask the Chairman of the Rules Committee, whom we all love, if the committee will not abandon the practice of bringing in rules that call for the waiving of all points of order?

Mr. POU. I wish we could proceed under the general rules of the House and do business that way. I have an idea I would like to see that put in force, but as a practical proposition I am afraid it is impossible.

Mr. BANKHEAD. Will the gentleman yield?

Mr. POU. I will.

Mr. BANKHEAD. It has been suggested by the Chairman of the Interstate Commerce Committee that it is not the real desire of the committee to read the bill under the 5-minute rule this afternoon, and it has been suggested, if agreeable, to extend the general debate beyond the 3 hours.

Mr. SNELL. I did not quite understand the gentleman's statement.

Mr. BANKHEAD. The gentleman from Texas, Chairman of the Committee on Interstate and Foreign Commerce, made a suggestion to the majority leader in my hearing that it was not the expectation of the committee to read the bill under the 5-minute rule this afternoon. In view of that fact we might have more than 3 hours' general debate today.

Mr. SNELL. If that is the desire of the majority, there will be no objection on this side.

Mr. RAYBURN. Mr. Speaker, I would suggest this: That we have general debate until the House adjourns today, if requests are made for that much time. The reason for it is that the full report on the bill would have been here this morning if there had not been objection yesterday. It cannot be here until tomorrow, and I think it is only fair to have the report before us when we read the bill.

Mr. POU. That can be arranged after the adoption of the rule. I move the previous question.

The previous question was ordered.

The resolution was agreed to.

Mr. RAYBURN. Mr. Speaker, I ask unanimous consent that debate be confined to the bill, to be equally divided between and controlled by the gentleman from New York [Mr. PARKER] and myself, and that general debate shall close at adjournment of the House today.

The SPEAKER. Is there objection?

There was no objection.

Mr. RAYBURN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation, and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill S. 1580, with Mr. HILL of Alabama in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. RAYBURN. Mr. Chairman, I yield myself 30 minutes. This bill is divided into two parts. Title I of the bill has to do with one thing, and title II of the bill has to do with two other matters of very great importance. Title II of the bill has been under consideration by the Committee on Interstate and Foreign Commerce of the House for several years. During the last session of Congress the committee reported the so-called "repeal of recapture", or 15a of the Transportation Act of 1920. It also reported a bill to bring the acquisition of railroads by the device of the holding company under the jurisdiction of the Interstate Commerce Commission. Those two bills, which I shall discuss more in detail, compose title II of this bill. Title I of the bill is a new venture in railroad legislation. In order that the Committee may understand one of the main rea-

sons, at least, for the committee reporting title I of the bill, I refer, gentlemen, to page 7 of the hearings and the third recommendation of the President of the United States in his message to Congress on May 4, as to what he should like to see done in the field of railway regulation.

That paragraph of the President's message reads as follows:

As a temporary emergency measure I suggest the creation of a Federal Coordinator of Transportation who, working with groups of railroads, will be able to encourage, promote, or require action on the part of carriers in order to avoid duplication of service, prevent waste, and encourage financial reorganization. Such a coordinator should also in carrying out this policy render useful services in maintaining railroad employment at a fair wage.

The committee, taking this suggestion, has worked and brought forth title I of this bill. It might also be said that after rather lengthy conferences between the Secretary of Commerce, representatives of labor organizations, representatives of the railroads and the shippers, a committee was suggested, and a committee of six met and made the first draft of title I. That committee consisted of the Secretary of the Treasury, the Secretary of Commerce, Senator Dill, Commissioner Eastman, Dr. Splawn, and myself. We brought out the bill that was introduced originally. The same bill was introduced in the Senate and in the House. The Senate completed its labors and reported a bill first, and as some of us were not very keen to go up against some of the provisions that we knew were going to be presented and probably adopted, we waited the action of the Senate.

Before we completed our consideration of title I in executive session, we had conferences, or some of us did, with Senator DILL and the representatives of the railway labor organizations, and I had many conferences with the representatives of the railroads, railway employees, and the shippers. So it might be said that the amendments with reference to labor—and that has been one of the things that have given a great many on the committee and off the committee concern—adopted by the Senate, called the labor provisions of the bill, have been in the main accepted by the House committee, with possibly one exception. The exception, as I understand it, was acceptable to the representatives of labor. It was to make it definite that the 43 percent of railroad employees in the country who are not members of the standard organizations would not be put out and denied representation in conferences with the coordinator. So, as far as the labor provisions were concerned, I think I might say that both in the House bill and the Senate bill, as reported, they are acceptable to the representatives of organized labor.

Mr. STUBBS. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. Yes.

Mr. STUBBS. To ask a question in regard to the personnel of railroad labor and their reduction. Is it expected to keep up the present number of employees?

Mr. RAYBURN. Mr. Chairman, the bill provides that no action of the coordinator shall result in the reduction of the number of railroad employees as of May 1933.

Mr. DUNN. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. Yes.

Mr. DUNN. In other words, the American Federation of Labor and the railroad brotherhoods put their stamp of approval on this bill?

Mr. RAYBURN. The American Federation of Labor has nothing to do with it. I did not confer with them. I conferred with the representatives of the standard organizations.

Mr. DUNN. And they put their stamp of approval on this bill?

Mr. RAYBURN. They did not object to it.

Mr. DUNN. Is the railroad brotherhood in favor of this House bill?

Mr. RAYBURN. I understand so.

Mr. THURSTON. If this bill is enacted into law, will it result in lower freight rates?

Mr. RAYBURN. As the bill was originally drawn, I thought that some economies might be brought about that might respond in reduction of rates. As the bill now stands,

to be frank with the gentleman, I very seriously doubt if there is anything in the bill as such that will force a reduction in the freight rates.

Mr. THURSTON. Will there be any movement to reduce the capital structure of the railroads?

Mr. RAYBURN. That is the hope, and if I may, I will proceed to rates and capital structure of railroads in a few minutes.

As to the capital structure of the railroads, I do not think there is any question in the world but that along with all individuals and all other industry there must be reorganizations of railroads, that their capital structures must be scaled down, and that the American people, in the economic condition in which we find ourselves at this time, are unable to meet the charges on transportation that would be necessary to pay a reasonable return on the capital structures of the railroads as they are now set up.

Now, as to rates, I will say we are hoping in this bill to do something that may allow some readjustment of rates. Frankly, I am not an expert on rates, but I know that when the commodities that move in transportation are as cheap as they are today, they cannot move and pay as large a proportion of the cost in transportation as they have to pay now.

I am of the opinion that the railroads of the country would make more money if substantial decreases in both passenger and freight rates were brought about. [Applause.] I may say that the whole question is being reviewed by the Interstate Commerce Commission at this time, but when their decision will be made I do not know. I am hoping they will find it in the public interest and lawful to make material reductions in both passenger and freight rates.

I am also of the opinion, after studying this question more or less for several years, that the railroads have not done all they could to meet their competition. I asked Judge Thom, who at that time was the representative of the railway executives, and I asked Judge Heiserman, who was attorney for the Pennsylvania Railroad Co., last spring, if they knew of anybody in the entire world who exercised less judgment than railroads when they started out to compete with each other, and they both answered that they did not. They have sat down rather grimly and have allowed the bus and truck to take their business away from them, and they have not done all that they could to meet that competition, and to stay in the transportation field.

Freight rates are exactly like tariff rates. There is a level at which you can place tariff rates at which they will produce the maximum amount of revenue that flows into the Treasury. If you put them higher than that, none comes in, because the commerce does not move under them. The same is true with railroad rates. There is a level at which you can place railroad rates that is fair, that is just, and that is reasonable, and under which freight and commerce will go on through the country, and at which they will produce the maximum amount of revenue.

With reference to this bill and title I, I first wish to refer to a statement of Dr. Splawn at pages 13 to 29 of hearings on H.R. 5500, by your committee. He has been making an investigation for our committee, out of which grew the holding-company part of this bill, and who has worked with us on section 15a, and who has developed the ownership of every railroad in the United States, its mileage, its officers, its directors, its 30 largest stockholders, and has given us a picture of the whole railroad ownership throughout the land. That investigation was also made under the chairmanship of Mr. PARKER of New York.

In the last session of Congress Dr. Splawn made an investigation of the holding companies in the pipe-line field, covering gas, gasoline, and oil. With the exception of the Insull set-up, which will take a few more months to complete, he is finishing a complete picture of the power companies, their ownership, their controls, their interrelations among themselves and with other business institutions. He is developing the relations of the holding companies to the operating companies in the telephone and telegraph

field, apparently one of the most fruitful fields in which the holding company, unregulated, has operated.

At this time I want to pay tribute to the patriotism, to the sanity, to the industry and the great ability of Dr. Splawn, because, in my opinion, he is one of the most valuable men that has ever been connected with the Government, and I trust he is marked for a higher place in the Government.

Mr. ARNOLD. Will the gentleman tell us what hearings he is referring to?

Mr. RAYBURN. I am referring to the hearings held on H.R. 5500.

Now, I wish to state what Commissioner Eastman thinks will be accomplished under this bill. He thinks the following may be accomplished, or at least he thought before it was amended, that that might be accomplished.

The purposes of the bill, as he interprets them, are these: To do away with existing wastes and duplication of services; wastes which exist at large railroad centers and which could be eliminated by the use of joint terminals, both passenger and freight; unnecessary passenger and freight service, which could be eliminated by pooling arrangements; unduly circuitous routes; extravagance in solicitation of traffic; waste in equipment-repairing expense, such as could be avoided by joint use of certain shops and the abandonment of others; waste in passenger ticket offices, such as could be avoided by combined ticket offices; unnecessary allowances to large shippers in certain services; unduly low charges for warehouses and like accessorial services; waste in use of equipment, such as might be avoided by pooling arrangements, change in car rentals, and other means of reducing empty return movement of cars; wasteful practices in the purchase of equipment, rails, ties, materials, and supplies, including not only purchasing methods but also standardization of specifications; reduction of unprofitable operations and provisions for better service by substitution of motor vehicles for steam service and their use as accessorial service, and so forth.

These are some of the things it is hoped to be accomplished under the appointment of the coordinator.

Now, under the coordinator provision of the bill the President can appoint anyone whom he pleases coordinator by and with the advice and consent of the Senate, or he can appoint a member of the Interstate Commerce Commission as coordinator and relieve him of his duties as Commissioner while he is acting as coordinator.

The bill provides that this legislation is emergency legislation and shall have effect for but 1 year unless by proclamation it is extended for another year by the President of the United States. So, in no instance, can this emergency legislation last more than 24 months.

Mr. MARTIN of Colorado. Mr. Chairman, will the gentleman yield for a question about the powers of the coordinator?

Mr. RAYBURN. Yes.

Mr. MARTIN of Colorado. All I have before me is Senate bill 1580, but, as I read that, the coordinator will not be called upon to or exercise any power except in the event that carriers in the group through their committees cannot agree, and refer the matter to him. In other words, as I read the Senate bill, the railway companies who make up these regional committees can exercise all the powers of this bill with reference to abandoning trackage, terminals, and everything else without the intervention of the coordinator, except in case they cannot agree, and must call on him to act.

Mr. RAYBURN. These things cannot be done without the consent of the coordinator where they violate existing law. The coordinator cannot do these things unless they are initiated by the carriers; further than that, the Interstate Commerce Commission at the present time has control over the matters you mention.

Mr. MARTIN of Colorado. The bill reads in the disjunctive:

No railroads now existing shall be eliminated except with the consent of the participating lines or upon order of the coordinator.

Mr. RAYBURN. Yes. The committee struck out that first provision there as being a thing that the Interstate Commerce Commission and the proposed coordinator do not believe to be workable. The coordinator acts through suggestion to these groups. He makes suggestions as to what he thinks will improve the service, what will do away with waste, what will make for better service, what will be less extravagant, and then he puts it up to the carriers through the regional committee and sees if he cannot get them to make a voluntary agreement. Otherwise, he is allowed to put it into effect himself.

Mr. MARTIN of Colorado. This shows the disadvantage of debating a bill without having it before the House.

Mr. RAYBURN. I may say to the gentleman that neither I nor the committee are responsible for the fact the printed bill is not before the House.

Mr. MARTIN of Colorado. I think section 4 of the Senate bill makes it very clear that the railroads have absolute and complete control of all the powers of this bill up to the point where they fail to agree.

Mr. RAYBURN. Not at all.

Mr. MARTIN of Colorado. Up to the point where they have to call in the coordinator.

Mr. RAYBURN. May I call the attention of the gentleman to section 6 of the bill?

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. WHITTINGTON. If I understood the gentleman correctly, he stated that but for an amendment he was hopeful there might be a reduction in freight rates under the bill. May I ask the gentleman what amendment he has in mind that will be likely to prevent that?

Mr. RAYBURN. I have amendments in mind that prevent the coordinator from making certain savings.

Mr. WHITTINGTON. I am just wondering if the gentleman would inform the House what those amendments are.

Mr. ARENS. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. ARENS. If the railroads were compelled to pay this man \$1,500 for the loss of value of his house because the shops were moved, would they not come back to the Government and ask reimbursement?

Mr. RAYBURN. No; they would not come back to the Government, because there is no guaranty of anything like that; but as the representative of the shippers said, they might take it out of the hides of the shippers.

Mr. ARENS. They might increase the rates?

Mr. RAYBURN. Possibly.

Mr. KOPPLEMANN. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. KOPPLEMANN. Can the gentleman give us a few words with reference to the relationship between the coordinator and the Interstate Commerce Commission?

Mr. RAYBURN. The coordinator will work with the Commission. He has no connection with the Commission, however, unless he is designated from the Commission. Of course, he would use all of the data and information that has been accumulated by the Commission all of these years, but there is no connection between the coordinator and the Interstate Commerce Commission. He acts independently. His decisions are appealable to the Interstate Commerce Commission. If any interested party is dissatisfied with a decision or an order of the coordinator, he may appeal to the Interstate Commerce Commission, and the Interstate Commerce Commission after hearing the complaint may entertain an appeal or not, or may have a hearing and a determination or not.

Mr. WHITTINGTON. Mr. Chairman, will the gentleman yield further?

Mr. RAYBURN. I yield.

Mr. WHITTINGTON. I have the highest regard for the gentleman's opinion and I should like to ask him if in his judgment the provision which would prevent the further

reduction of employees will be calculated to prevent the reduction of freight rates?

Mr. RAYBURN. If business conditions stay like they are now, that will be the tendency; but it is the hope of everybody, it is the belief of the employees, it is the hope of the Interstate Commerce Commission and of many of us on the committee, that business within the next few months is going to pick up materially, in all probability 20 or 25 percent. In this way, there will not be any necessity for reducing the number of employees on the railroads, but there will be necessity for a considerable increase.

Mr. WHITTINGTON. What will be the hope of those employees who have been laid off returning to their former positions or being reemployed?

Mr. RAYBURN. I think that is done by seniority and they are placed on the board according to seniority and called back in that way. Perhaps there is someone else here who knows more about that phase of it than I do.

Mr. MEAD. If the gentleman will yield right there, I think this is so. The bill safeguards the employees on the rolls as of May 1933, but it in no wise protects the 700,000 employees who are temporarily laid off, and it will permit such economies as will result from increased business to flow to the railroads without taking on the men whom the gentleman has in mind, and they are probably permanently out of work.

Mr. RAYBURN. And I may say this, too: Under the provisions of this bill, when a vacancy occurs by reason of death, resignation, or discharge for cause, the railroads are not forced to fill that place. Now, what they do is this: They do fill the place, but they promote from the junior to the higher grade, or whatever grade it may be, and when they get to the bottom they leave off one man, if his services are not necessary, and the estimate of the saving in this respect is that it will amount to from 5 to 6 percent of the men each year, and there are in the neighborhood of 1,000,000 men working for the railroads. So 5 or 6 percent of the men working for the railroads would be 50,000 or 60,000 a year, and therefore, if the man whose place is not filled was receiving only \$1,630 a year and if 50,000 employees were to be discharged or their places left vacant for the reasons I have stated, this would effect a saving of \$80,000,000.

Mr. COX. Do I understand it to be the meaning of what the gentleman has said that operating costs would not increase correspondingly with the increase of business, and that the increase of business, of course, which we expect and must have, would operate to reduce transportation costs?

Mr. RAYBURN. That is our hope.

Now, if there are no further questions on title I of this bill, I should like to pass to something that I know a great deal more about and am somewhat more interested in.

Mr. BLANCHARD. Will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. BLANCHARD. The gentleman referred to the reduction in employees by resignation, death, or normal retirements. Is there not a limitation of 5 percent placed in the bill?

Mr. RAYBURN. Yes; and that is how I arrived at my estimate of 50,000 men.

Mr. DUNN. Does the gentleman mean that 50,000 employees would be dismissed?

Mr. RAYBURN. No; but it is possible under the operations of this bill at the end of the year for 50,000 employees to be eliminated in the ways I have suggested; but the bill specifically provides that nobody working for the railroads shall be laid off by any act of the coordinator.

Mr. MEAD. If the gentleman will be kind enough to inform the Committee, I am sure they would like to know whether the House bill contains all the so-called "labor amendments" adopted by the Senate.

Mr. RAYBURN. Yes; it does; but after a conference the other day, an amendment to 7 (a), I think, was agreed to by all concerned.

[Here the gavel fell.]

Mr. RAYBURN. Mr. Chairman, I yield myself 15 additional minutes.

Section 7 (a) in the Senate bill, as it was interpreted, simply provided for representation for the employees who were members of the organizations that made the contracts at Chicago in February 1932. It is estimated that 57 percent of the railway employees belong to the standard organizations. There are 43 percent, more or less, who do not belong to the standard organizations. They belong to company unions and other unions, or what not. So we provided an amendment in the House bill that other organizations should have representation, provided it was such an organization as was eligible to come in under the Railway Labor Act of 1923.

Mr. MEAD. Following that up, Senator DILL, or one of the other Senators who is a member of the committee in charge of the bill in the Senate, left the impression in the Senate that the administration—and I presume by that he means the President—favors the so-called "labor amendments." Is that the gentleman's information?

Mr. RAYBURN. Yes.

Mr. WITHROW. Will the gentleman yield?

Mr. RAYBURN. Yes.

Mr. WITHROW. It is not the gentleman's desire to leave the impression with the Committee—

Mr. RAYBURN. It is not my desire to leave any impression except the correct one, I will tell the gentleman that.

Mr. WITHROW. Just a moment. That 43 percent of the employees working on the railroads belong to the independent organizations?

Mr. RAYBURN. That is the best information I have.

Mr. WITHROW. The gentleman does not wish to leave that impression?

Mr. RAYBURN. That is exactly the impression I intended to leave, because that is what has been told me by people who are supposed to know. Of course, I said "more or less", because I am depending on information that was given to me that in the neighborhood of 43 percent of the employees belong to such organizations.

Mr. WITHROW. But the gentleman does not mean to say they belong to the independent organizations, does he?

Mr. RAYBURN. What is the gentleman talking about when he speaks of "independent organizations"?

Mr. WITHROW. I mean the independent organizations outside of the standard railroad organizations, which comprise 57 percent.

Mr. RAYBURN. That is exactly what my impression is.

Mr. WITHROW. Well, they do not.

Mr. COOPER of Ohio. Will the gentleman yield?

Mr. RAYBURN. I yield to the gentleman from Ohio, who is well informed on such questions.

Mr. COOPER of Ohio. I think I can explain this to the House. It was testified before our committee during the hearings that 43 percent of the railroad employees were not affiliated with the 16 standard railroad brotherhood organizations that comprise 57 percent of the employees, but the fact was not brought out that the remaining 43 percent belong to some other organizations.

Mr. WITHROW. Yes; that is it.

Mr. RAYBURN. What I intended to say was they were outside of the standard organizations. Now, so far as I am concerned, I am through with title I, unless someone wishes to ask further questions.

Mr. GRISWOLD. I should like to ask the gentleman a question. I did not hear the first part of the gentleman's statement regarding the payment of losses in the event of the removal of terminals. When is the effective date that pertains to that?

Mr. RAYBURN. On the enactment of the act.

Mr. GRISWOLD. There is no date fixed in the act?

Mr. RAYBURN. In other words, the act is in effect when the coordinator is appointed?

Mr. GRISWOLD. I want to call attention to the fact that during the last year several hundred terminals have been abolished.

Mr. KVALE. Will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. KVALE. The gentleman said that the basic employment figures would be as of May. Would not it be better if an average was taken between May, when it will be at a low ebb, and the time when it will be at the highest?

Mr. RAYBURN. That would have been agreeable to me; but, as I understand, it was not agreeable to gentlemen interested in labor. They seem to want to take May of this year, and so that was agreed upon.

Now, passing to title II. In the Transportation Act of 1920 a section grants the right of permissive consolidation. The act provided that if two or more railroads wanted to bring their property together in a consolidation or merger or lease or otherwise, that they should file a petition to the Interstate Commerce Commission and receive the approval of the Commission before they made a consolidation, and after meeting requirements laid down in the statute they might consolidate on the approval of the Commission.

The President said in his message:

Railway holding companies should be placed definitely under the regulation and control of the Interstate Commerce Commission in like manner as the railways themselves.

It also provided that the Interstate Commerce Commission should bring forth a plan for the consolidation of railroads. They turned this job over to Prof. William Z. Ripley, of Harvard, a great transportation expert, a thorough scholar, and an able and highly patriotic citizen.

He brought forth a tentative plan several years ago for the consolidation of the railroads of the United States into 19 or 20 systems. With slight modifications the Commission adopted his as their tentative plan. After a lapse of several years the Commission put out a final plan. The roads have not used that consolidation plan greatly—they seem to be unable to get together themselves in order to file an application to the Interstate Commerce Commission because they cannot agree as to mileage, they cannot agree as to costs, and so forth.

But in the meantime some of the railroads of the country, desiring to consolidate or bring together their properties, did bring together properties that they had reason to believe the Interstate Commerce Commission would not approve of, and in some instances properties were brought together after the Commission had denied the right to unify.

I might be specific. The process of pyramiding may be illustrated by the stock of the Chesapeake & Ohio Railroad. A majority of the stock of that railroad was held on April 30, 1930, by the Chesapeake Corporation, and constituted the great bulk of that holding company's assets. Against these assets it had issued \$46,748,000 of its own bonds and stock carried as a liability of \$74,242,042. A majority of the stock of the Chesapeake Corporation was owned by the Alleghany Corporation, which in turn issued bonds, preferred stock largely without voting power, and common stock. A large block of Alleghany common was owned by the General Securities Corporation and a large block of the stock of that holding company by the Vaness Co.

The purchases of the Alleghany Corporation were largely made near the top of the market at high prices. House Report No. 2789 shows, for example, that it paid \$159.87 per share for Pere Marquette stock, \$60 for Erie common, \$130.21 for Nickel Plate common, \$80.87 for Missouri Pacific common, \$136.05 for Missouri Pacific preferred, and \$95.19 for Kansas City Southern common. In contrast with these prices the Chesapeake & Ohio has recently purchased 46,200 shares of Pere Marquette stock from the Alleghany Corporation at \$11 per share, as contrasted with the \$159.87 paid, and has been given a 4-year option to purchase 215,000 shares of Erie common at \$13.25 per share, as contrasted with the \$60 paid.

The Van Sweringens went across the Mississippi River and bought up 51 percent of the stock of the Missouri Pacific, one of the great railroad systems of the country. They paid a high price for the securities. That railroad has taken advantage of the amendment to the Bankruptcy Act of March 3, and now is in process of reorganization.

The common stock of that railroad now is selling on the exchange for as little as \$3.50 per share. We believed that

after Congress granted the railroads the valuable privilege of being allowed to consolidate their properties where they wanted to, even in violation of antitrust laws, with the consent of the Interstate Commerce Commission, they should not, either in spirit or by letter, disobey the law. But they have done it and have gotten themselves into a great deal of trouble. I might say to the gentlemen from New England that with the aid of the holding company known as "Penroad Corporation", not owned by the Pennsylvania Railroad Co., but officered and controlled by the men who run the Pennsylvania Railroad Co., they have gone into New England and bought up 23 percent or more of the stock of the New York, New Haven & Hartford Railroad, and have also obtained large holdings in the Boston & Maine. The Pennsylvania Railroad Co., I might say, is not vitally interested in concentrating movement of traffic to any port in New England, but rather is interested in the port of New York and in the port of Philadelphia. New England is fast becoming, I think, the back yard so far as transportation is concerned that really belongs to it.

Mr. GOSS. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. Yes.

Mr. GOSS. The gentleman does not think that if the 4- or 5-way consolidation plan goes through, the New England lines should not be included in the consolidation of trunk-line territory, does he?

Mr. RAYBURN. I am not discussing that. I should dislike very much to see it done. I think New England ought to have a railroad system of its own, but you have not got it now through this control of the Penroad. In future we want to prevent those things, and we say in this bill that hereafter no railroad properties shall be brought together through the device of a holding company without first applying to and receiving the consent of the Interstate Commerce Commission.

Mr. GOSS. Is there anything in the bill, or in any other bill, that would require the divesting of the Penroad or the so-called "Pennsylvania", down to a smaller amount of stock?

Mr. RAYBURN. I was in favor of the bill's containing a provision providing for the unscrambling of corporate affiliations in cases where not approved by the Commission, but my judgment in the matter did not predominate, and the provision which I believe the gentleman may be thinking of, the new paragraph (11) of section 5, begins from now and is not retroactive. It relates only to stock holdings, tested according to its future effect, though for this purpose it is immaterial when the holdings were acquired. It should be noted that by the terms of section 204 of the bill the existing provisions of the Interstate Commerce Act and other laws are preserved, so far as necessary, to apply with full force to acquisitions of control which have heretofore taken place. This section does not, of course, limit or affect the operation of the new paragraph (11) of section 5 here proposed. I should like very much to have given the Interstate Commerce Commission the authority, and I think Congress has the power to give it the authority, to unscramble some of these things that have been done.

Mr. GOSS. Will the gentleman offer such an amendment?

Mr. RAYBURN. But my judgment in that did not prevail. We had some lawyers in the committee and out of the committee who did not believe Congress had the power to do it and others who doubted the wisdom of the policy.

There is a real necessity for these amendments to section 5 of the Interstate Commerce Act.

In its annual report for 1929 the Interstate Commerce Commission expressed the belief that through the activities of holding companies—

The subjection of the unification of carriers by railroad to the orderly processes of a carefully planned scheme of public regulation, which section 5 was designed to accomplish, is very likely to be partially or even wholly defeated, subject to the possibility that the Clayton Antitrust Act may in some measure, after protracted litigation, enable control over the situation to be maintained.

The House of Representatives passed Resolution 114, Seventy-first Congress, second session, under which the Committee on Interstate and Foreign Commerce conducted a thorough and comprehensive investigation. The results of that investigation were published as House Report No. 2789, Seventy-first Congress, third session. Incorporated in this report at page LXXXV were the recommendations of special counsel to the effect that section 5 of the Interstate Commerce Act, as amended, be amended so as to bring within the jurisdiction of the Interstate Commerce Commission, for approval or disapproval, any acquisition of the control of a railroad which would result in bringing that railroad into affiliation with, in control of, or under the management of another railroad, whether the acquisition be by holding company or otherwise, and that when a holding company is thus permitted to control a carrier by railroad, directly or indirectly, through ownership of stock, thereafter the accounts and capitalization of that holding company shall be subject to regulation by the commission.

The Interstate Commerce Commission in its annual report for 1931, at page 21 and at pages 84 to 86, made recommendations in harmony with this recommendation of the special counsel to the Committee on Interstate and Foreign Commerce. These recommendations were based upon the facts disclosed by the investigation conducted under House Resolution 114 and published in House Report No. 2789, Seventy-first Congress, third session. All the pertinent facts are contained in that report.

In line with these recommendations and to remedy the defects in existing law disclosed by the facts contained in House Report No. 2789, H.R. 9059 was drafted. The chairman of the legislative committee of the Interstate Commerce Commission testified in the hearings on H.R. 9059 (p. 238) that the bill had been submitted to the entire Commission and considered in conference, together with a statement which the chairman of the legislative committee of the Commission had made before the Committee on Interstate and Foreign Commerce (pp. 47 to 83, hearings, H.R. 9059), and the Commission unanimously approved H.R. 9059.

The investigation under House Resolution 114 (H.Rept. No. 2789, 71st Cong., 3d sess.) disclosed that an important weakness of section 5, as it now stands, is that it places no control upon the activities of so-called "holding companies" in effecting unification of railway properties into systems. H.R. 9059 formed the basis for sections 1 to 4 of the present bill. In the hearings on that bill special counsel for the committee and the chairman of the legislative committee of the Interstate Commerce Commission illustrated this weakness of section 5. (Examples taken from H.Rept. No. 2789.) Striking illustrations are recorded on pages 21 to 26 and 48 to 50 of the record of hearings on H.R. 9059. The investigation into the holding companies conducted by the Committee on Interstate and Foreign Commerce disclosed that acquisitions which had been disapproved after formal hearings by the Interstate Commerce Commission had afterward been accomplished through the use of holding companies. It further revealed that systems which had been approved by the Commission as in the public interest, and which in harmony with the Commission's completed plan would be independent of one another, had been brought under the control of a single holding company. This investigation made clear that the independence of one of another of the railroad systems resulting from the congressional plan included in section 5 of the act to regulate commerce was in some instances being destroyed and in others seriously threatened. (H.Rept. No. 2789, 71st Cong., 3d sess., pp. 714ff and 878ff.)

Apart from section 5 of the Interstate Commerce Act, the Commission has certain jurisdiction under the Clayton Act over acquisitions of control, direct or indirect, of one railroad by another, or acquisitions of common control of two or more railroads, where it can be established that the effect of such acquisitions may be to substantially lessen competition between the corporations involved, or to restrain the commerce in which they are engaged, or to tend to create a monopoly of any line of commerce. But the enforcement of the Commission's authority to break up such

combinations after they have been put together is hedged about by many difficulties, and probably no such authority exists under the Clayton Act in the case of certain of the unifications which have been accomplished through the use of holding companies and which are described in House Report No. 2789.

Whether or not all or any of these unifications are consistent with the public interest does not have to be determined in order to reveal the necessity of further legislation. The important point is that unifications and groupings of railroads have been accomplished entirely without supervision by the Commission and without any opportunity to consider the question of public interest. Under section 5 of the act to regulate commerce it was the purpose of Congress to place the unification of the railway properties of the United States entirely within the control of the Commission. The investigation conducted by the House Committee on Interstate and Foreign Commerce, under House Resolution 114, reveals that wide opportunities exist for accomplishing such unifications without any such control and in complete defeat of the intent of the Congress. Moreover, these opportunities to circumvent the will of Congress, as expressed in section 5, exist irrespective of what the public interest may be. It is to correct this condition, and to prevent through the use of holding companies and other devices the defeat of the congressional will, that this bill has been drawn.

This bill specifically treats a holding company which has been authorized to acquire a railroad as though it were a common carrier in that, first, it must obtain approval of the Commission to acquire control of two or more railroads; second, after obtaining such approval it must then, like the railroads, be subject to paragraphs (1) to (10), inclusive, of section 20 of the act (relating to reports, accounts, and so forth, of carriers), and to paragraphs (2) to (11), inclusive, of section 20a (relating to issues of securities and assumption of liabilities of carriers).

Another part of title II deals with 15a of the Transportation Act of 1920, and in that connection I might quote a little history. The Government took over the railroads during the war. The Transportation Act of 1920 returned the railroads to their owners. The House passed a bill and the Senate passed a bill. We went into conference, and the Conference Committee agreed to the Transportation Act of 1920. The House passed a rule of rate making, which I think is fair. The Senate passed a rule of rate making that was fairly reasonable. The President said in his message:

First, I recommend the repeal of the recapture provisions of the Interstate Commerce Commission Act. The Commission has pointed out that existing provisions are unworkable and impracticable.

In the committee of conference they wrote 15a, containing the rule of rate making and providing for the recapture of excess earnings. The Interstate Commerce Commission in three of its reports has recommended the repeal of the recapture of 15a ab initio, or from the beginning, wiping the whole thing off the books. The Interstate Commerce Commission has contended since the passage of 15a that it tried to enforce a rule of rate making which was impossible of administration. There are many factors besides value that should be considered in making a rate. It was thought that if you fixed a rate at which the average railroad would make 6 percent it would be a fair return, but what was provided was a reasonable return, because otherwise some well-circumstanced roads would make an unreasonable return. So it was provided that if a railroad under that rate made more than 6 percent the Government would recapture half of the excess above 6 percent and put it into a fund in the Treasury to the credit of the Interstate Commerce Commission to be loaned to weak railroads.

It developed that the railroads said, "We do not owe this money; the Interstate Commerce Commission has not fixed a value; we have not agreed to the value the Interstate Commerce Commission has fixed." In the *O'Fallon* case, the railroad carried the matter to the Supreme Court of the United States, and the Supreme Court of the United States

said that the Interstate Commerce Commission's method of valuation was not fair to the railroads. The Interstate Commerce Commission said that valuation should be based upon prudent investment, and the Supreme Court said that prudent investment should be one of the controlling factors, but that reproduction costs had not been considered as full a degree in the valuation of the railroad as they should have been under the clause that provides that property may not be taken for public use without just compensation.

Mr. PARSONS. Will the gentleman yield?

Mr. RAYBURN. Yes; I yield.

Mr. PARSONS. What is the total amount that has been paid in?

Mr. RAYBURN. May I just proceed, and I will try to cover this entire question.

There has been no arrival at the amount nor any agreement as to the amount that the railroads owe. The Interstate Commerce Commission, under its valuation—under the law they have been trying to get Congress to repeal for about 4 years—claims it is in the neighborhood of \$361,000,000. The amount captured is in the neighborhood of \$10,000,000. That is all that has ever been captured.

I might say that about \$4,000,000 of that amount was paid in by the little, weak fellows who did not feel they could fight the United States Government, and they paid it in, and they are in desperation now for need of that money. The gentleman from North Carolina [Mr. KERR] has been very much interested in this matter. There was one little railroad in North Carolina that was owned by a town down there. It was a revenue producer for the town, and they made some money and paid to the Government. The Government has held it ever since.

Furthermore, let me say that not a dollar of that \$10,000,000 has ever been loaned to a weak railroad, for the simple reason that the Interstate Commerce Commission fixed rules and regulations, and set 6 percent as the rate of interest, and any railroad, short or long, poor or fat, that could borrow money under the regulations which the Interstate Commerce Commission set could go out in the open market and borrow money for less than 6 percent.

Mr. MILLIGAN. Will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. MILLIGAN. Is it not also true that the greater part of this \$10,000,000 was paid under protest?

Mr. RAYBURN. Practically every dollar of it was paid under protest. The Interstate Commerce Commission says if they are going to enforce this thing, this rule of rate making that they do not think is fair, if they are to enforce this recapture provision which they do not think should be enforced, they will have to go into court over nearly every dollar of it, and that only after long, tedious, expensive lawsuits which will cost the Government of the United States millions of dollars, can they bring this thing to an adjustment.

They do not know, then, whether or not the courts, as in the *O'Fallon* case, will say their valuation is wrong and that the railroad which they then claimed owed \$10,000,000 does not owe the Government of the United States anything. More than that, the best thinkers on transportation—and I do not mean those who own railroads or who are financially interested in them—believe that at this time it is impracticable to collect one dollar of the \$361,000,000; and that this cloud hanging over the railroads of the country is helping to destroy their credit, and that this threat of unrecoverable money should be lifted from the railroads.

Mr. KVALE. Will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. KVALE. When the committee decided it was advisable to repeal the recapture clause, did it then consider the advisability of reducing the guaranty of 5½ percent?

Mr. RAYBURN. We repeal the whole rule of rate making, and write a new rule of rate making, not based upon value.

Mr. COCHRAN of Missouri. Will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. COCHRAN of Missouri. The fact remains that Congress passed a law in 1920 providing for recapture.

Mr. RAYBURN. Yes.

Mr. COCHRAN of Missouri. Thirteen years have passed. Who is responsible for not taking this matter to the courts and keeping it there until a decision was finally rendered as to whether or not the railroads should pay the money or whether the Government was entitled to it?

Mr. RAYBURN. The Commission has not carried those cases through the courts. It has taken these years to try to arrive at the valuations required.

I may say to the gentleman that my idea on it has not changed since 1920. I always thought it was an unreasonable and unworkable rule of rate making, and that if a reasonable rate is set, every man who devoted his property to the service of the transportation ought to have what it paid, and that the recapture end of it was a fantastic thing that I never did sanction.

Mr. COCHRAN of Missouri. Be that true, nevertheless it seems to me that the Government official, regardless of his opinion, should carry out that act until the Congress had finally repealed it.

Mr. RAYBURN. I may say this, in defense of the Interstate Commerce Commission, that the valuation of the railroads has not yet been completed; and that is one reason why they have been unable to proceed with prosecuting these things to final judgment, because they did not know exactly what the valuation of the railroads was. They have tentative valuations. They have guesses; very good guesses; but the recapture finding is also tentative and indefinite, in a way.

Mr. COCHRAN of Missouri. But the failure to complete the valuation was due to the Congress' not setting a date when it should be completed, instead of giving them millions of dollars to carry on and keep people in jobs year after year.

Mr. RAYBURN. On the contrary, it was due to the time-consuming, impractical task assigned to the Commission by the Congress. Another thing we do in that is to relieve the Interstate Commerce Commission of the burden of bringing valuations down to date with the particularity now prescribed.

Mr. COX. Will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. COX. In what way is this provision related to other provisions of the act, and how is it necessary in the perfection of what the gentleman's committee has undertaken to do? I mean the act as a whole.

Mr. RAYBURN. In the consolidation of section 15a the railroads were represented, labor was represented, the Interstate Commerce Commission was represented, shippers' associations were represented, and every group and every individual who appeared before the committee recommended the repeal of 15a, the recapture clause, and a rewriting of the rule of rate making that we have done in this act.

Mr. COX. Will the gentleman be kind enough to yield further at that point?

Mr. RAYBURN. I yield.

Mr. COX. What provision, if any, is made for meeting the expenses incurred by the Government in its endeavor to put into effect this recapture clause of the Transportation Act?

Mr. RAYBURN. That expense has been met out of appropriations made by Congress from time to time since 1920.

Now, this bill provides also that where the railroads have paid in this money, it shall be returned to them. I think that is nothing but fair. If we are going to remit the claim against others, it is only fair that those who have tried to comply with the law and who have paid in their money should have it returned.

Mr. GRISWOLD. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. GRISWOLD. Did I understand the gentleman to say that the rate-making provision had been rewritten?

Mr. RAYBURN. We have.

Mr. GRISWOLD. In rewriting the rate-making provision was the old principle of basing rates on capital accounts left in?

Mr. RAYBURN. No. As far as we could, in writing the rule on rate making, we tried to write one that would be as nearly as may be a reasonable rate. I will read the rule on rate-making as we have it here:

In the exercise of its power to prescribe a just and reasonable rate the Commission shall give due consideration among other factors to the effect of rates upon the movement of traffic, to the need and the public interest for adequate and efficient railway transportation, to service at the lowest cost consistent with furnishing such service, and to the need of revenues sufficient to enable the carriers under honest, economical, and efficient management to provide such service.

This is what we arrived at after many months of study of the rule of rate making.

Mr. GRISWOLD. To make myself clear, under the old system whatever money was spent by the railroad, even though it was borrowed money, could be considered for rate making and the rate was fixed that would allow a return of 6 percent, even on that borrowed money, which was passed on as part of the increased cost of operation.

Mr. RAYBURN. Yes.

Mr. GRISWOLD. That was the old rate-making rule.

Mr. COOPER of Ohio. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. COOPER of Ohio. The Interstate Commerce Commission has to pass upon it, does it not?

Mr. RAYBURN. Yes; but we are laying down at this place a standard for rate making.

Mr. WOOD of Missouri. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. WOOD of Missouri. On January 19, 1932, testifying before the House Committee on Interstate and Foreign Commerce, Commissioner Eastman, of the Interstate Commerce Commission, made the following statement:

On December 17, 1931, the general railroad contingent fund held \$13,277,598.50. Of this, \$10,717,922.97 represented payments by carriers, and the remainder represented interest accumulations. Of the payments by carriers, \$8,796,188.11 was paid under protest, and \$1,921,734.86 was paid unconditionally. Of the latter amount, \$9,917.72 was paid in whole or in part under final orders of the Commission. Most of the payments have been by small or comparatively small roads. Considerably more than half came from railroads controlled by the iron and steel industry.

I made a computation yesterday, and I discovered that out of the \$10,717,922.97 which had been paid in, over \$8,000,000 had been paid in by railroads controlled by industries, and the larger part of that by railroads which are controlled by the United States Steel Corporation, the Bethlehem Steel Corporation, and other iron and steel industries.

Mr. MAPES. Mr. Chairman, in that connection, may I ask a question?

The CHAIRMAN. Yes, sir.

Mr. MAPES. Mr. Commissioner, is it possible to make any reasonable estimate—and if so, will you give it to us—as to how much, in your judgment, it would cost to collect the \$378,000,000 that the Commission has estimated the railroads owe this recapture fund, and how long it would take to settle the question?

Mr. RAYBURN. I understand that. What question does the gentleman wish to ask?

Mr. WOOD of Missouri. This \$8,000,000 paid in by railroads owned by United States Steel and Bethlehem Steel—

Mr. RAYBURN. The testimony you have quoted indicates the sources of these payments.

Mr. WOOD of Missouri. Does not the gentleman think, whether or not we retain the recapture clause, that Mr. Morgan would take this \$8,000,000 that is given back to him and probably pay some of the income tax he owes for the last 2 or 3 years?

Mr. RAYBURN. I know nothing about that. I may say I have always believed in treating all people exactly alike and playing fair with everyone. If we are going to take away from one, we should take away from all; or if we are going to give back to one, we should give back to all.

Mr. PARSONS. Mr. Chairman, will the gentleman yield?

Mr. RAYBURN. I yield.

Mr. PARSONS. With reference to the capital structure of railroads and valuation, I understand the recent investigation is not complete, but the capital stock is something like \$11,000,000,000 and the bonded indebtedness is a little over \$13,000,000,000. In other words, since the valuation of 1916, 1918–32 there has been an increase in the capital structure of over \$4,000,000,000. Heretofore, at least upon the capital structure, there has never been any thought on the part of the railroads of retiring the bonds.

I wonder if there is any provision in this bill that would permit the Interstate Commerce Commission to compel the railroads to set up a fund to retire the bonded indebtedness of the railroads?

We have paid the bonded indebtedness once over with dividends and interest, but no effort has ever been made to retire the bonds.

Mr. RAYBURN. There is nothing in this act with reference to that.

[Here the gavel fell.]

Mr. RAYBURN. Mr. Chairman, I ask unanimous consent to proceed for 5 additional minutes, which I understand is necessary on account of the fact I have consumed 1 hour.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. RAYBURN. I may say in reference to the capital structure: I was very much in favor of an amendment to the Bankruptcy Act that became law in March 1933. I believe a great number of the railroads of the country should take advantage of the operation of that law and go through reorganization and a reduction of their capital structures. I do not see any other hope for them. They cannot refinance, they cannot pay a return on the capital structures they have with a reasonable charge for the service they are rendering.

Mr. MAY. Mr. Chairman, will the gentleman yield? I beg pardon; I realize that the gentleman's time is limited.

Mr. RAYBURN. My time is out; I am going on borrowed time, but I yield to the gentleman from Kentucky.

Mr. MAY. I read the bill the gentleman introduced here. As I understand the general character of the legislation, it authorizes a temporary suspension of the antitrust laws, that would otherwise affect the railroads. It provides for the consolidation or merger of all of the railroads.

Mr. RAYBURN. Oh, no. That is the law now. We do not change the consolidation provision of the Transportation Act, except to say that they cannot consolidate through the holding companies without the consent of the Interstate Commerce Commission. It was in the law of 1920 and has been the law ever since.

Mr. MAY. As I understand, the consolidations are not permissible under the law by reason of the existence of the antitrust laws.

Mr. RAYBURN. No. The antitrust laws as they affected the consolidation of the railroads were suspended by the act of 1920, where the Commission approves a consolidation.

Mr. MAY. If the gentleman will permit me to finish my question, as I understand the measure it provides for these consolidations and also provides for the appointment of a coordinator to effect the mergers or consolidations.

Mr. RAYBURN. Oh, no. The coordinator has nothing whatever to do with consolidations.

Mr. MAY. Do you create a coordinator?

Mr. RAYBURN. Yes.

Mr. MAY. Then the question I wanted to get to, if the gentleman will permit me—

Mr. RAYBURN. I hope I am courteous to the gentleman.

Mr. MAY. I want to inquire if there is any power given the coordinator in the legislation that will enable him to accomplish the purposes of the prior legislation.

Mr. RAYBURN. Not a thing, because the question of consolidation, I will say to my friend from Kentucky, is left where it has been since 1920, with the Interstate Commerce Commission and not with any coordinator.

Mr. MAY. My question was prompted, if my friend from Texas will permit me to say so, by reading the testimony of

Mr. Eastman, who testified at the recent hearings of this committee that the coordinator had no power or authority to do anything. My question then is, Why create a coordinator?

Mr. RAYBURN. I will state to the gentleman that it is with reference to consolidations that he does not have anything to do. In connection with a great many other things, he has very much to do with them, because he can issue an order and it goes into effect, and the only power that can set it aside is the court.

Mr. MAY. That is an order pertaining to the action of the committees that may be created by the boards of directors.

Mr. RAYBURN. Or by independent action, he can go over the committee, and he does not have to ask the committee about a great many things he does; but as far as the consolidation provisions in the law are concerned, this bill does not touch them, except with respect to the proposition of control of the holding company. However, the coordinator has nothing whatsoever to do with the question of railroad consolidations, regardless of the debate in the Senate.

Now, I have taken more time than I intended. I have not made as connected a statement as I would like to make, because I yielded to everybody who has asked me to yield.

Mr. MEAD. The gentleman has been very kind and patient, and by reason of the powerful position the gentleman holds, I think it would be well for the record, if the gentleman would explain section 10 (b) with regard to the nullification of State laws and regulations.

[Here the gavel fell.]

Mr. GOSS. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for 5 additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. RAYBURN. Mr. Chairman, I shall now ask unanimous consent that I may extend my remarks, and I shall undertake to have in the RECORD in the morning an explanation of each provision of title I, as set forth in the report.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

The analysis is as follows:

ANALYSIS OF TITLE I OF THE BILL

SECTION 1

Section 1 defines the terms "Commission", "coordinator", "committee", "carrier", "employee", and "State commission."

SECTION 2

Section 2 states the purposes of title I, which are to foster and protect interstate commerce in relation to railroad transportation by preventing and relieving obstructions and burdens thereon resulting from the present acute economic emergency and by safeguarding and maintaining an adequate national system of transportation and creates therefor the office of Federal Coordinator of Transportation and provides for his appointment by the President, with the advice and consent of the Senate, or his designation by the President from the Interstate Commerce Commission.

SECTION 3

Section 3 directs the coordinator to divide the carriers into three regional groups and the carriers in each group to designate five representatives, who shall be the regular members of a regional coordinating committee. The railroads other than class 1 of a region may designate a representative, and the electric railways not owned or controlled by a steam railroad may designate a representative, who shall be special members of the regional coordinating committee.

SECTION 4

Section 4 states the purposes of the title: First, to promote economies and avoid unnecessary waste and preventable expense; second, to promote financial reorganization of the carriers; and, third, to provide for the immediate study of other means of improving conditions surrounding transportation in all its forms and the preparation of plans therefor.

SECTION 5

Section 5 makes it the duty of the committees representing the carriers within each group, and jointly where more than one group is affected, to carry out the provisions of the title; and directs the coordinator to give appropriate directions by order in such instances as the committees are unable for any reason, legal or otherwise, to carry out the purposes of the title by voluntary action.

SECTION 6

Section 6 requires the coordinator to confer freely with these regional committees and to give them the benefit of his advice and assistance. Where a committee fails to act the coordinator may act on his own initiative. The coordinator is empowered to call for information and reports from the committees themselves, the carriers, and the Interstate Commerce Commission. Provision is made in (b) of this section for the Commission to require by subpoena the attendance and testimony of witnesses and authorizes the members and examiners of the Commission to administer oaths.

SECTION 7

Section 7 consists of five paragraphs, (a), (b), (c), (d), and (e). 7 (a) authorizes for each regional group of carriers one labor committee representing the standard unions and another labor committee representing other labor organizations which may be designated and authorized to represent employees in accordance with the requirements of the Railway Labor Act. Both the regional coordinating committees representing the carriers and the coordinator are required to give notice to and to confer with the appropriate labor committee or committees, and hear their views prior to taking any action or issuing any order which will affect the interests of the employees.

7 (b) is as follows:

"(b) The number of employees in the service of a carrier shall not be reduced by reason of any action taken pursuant to the authority of this title below the number as shown by the pay rolls of employees in service during the month of May 1933, after deducting the number who have been removed from the pay rolls after the effective date of this act by reason of death, normal retirements, or resignation, but not more in any one year than 5 percent of said number in service during May 1933; nor shall any employee in such service be deprived of employment such as he had during said month of May or be in a worse position with respect to his compensation for such employment, by reason of any action taken pursuant to the authority conferred by this title."

7 (c) requires the coordinator to establish regional boards of adjustment for the settlement of labor disputes, arising under this title, in the manner provided by the Railway Labor Act.

7 (d) provides for compensation to employees for property losses and expenses imposed upon them by reason of transfers of work from one locality to another incident to carrying out the purposes of this title.

7 (e) is drawn to strengthen the enforcement of the Railway Labor Act and discourage the use of "yellow dog" contracts.

SECTION 8

Section 8 provides that not less than 20 days shall elapse after the publication by the coordinator of an order before it becomes effective.

SECTION 9

Section 9 provides that any interested party (including any carrier, shipper, employee, State commission, the Governor of any State, or representative of any political subdivision of a State) may appeal to the Interstate Commerce Commission for a review of an order issued by the coordinator. If the Commission grants such a review, it may in its discretion suspend an order if it finds that the immediate enforcement would result in irreparable damage to the petitioner or would work grave injury to the public interest. The Commission is called upon to expedite its hearings if it suspends an order.

SECTION 10

Section 10 provides for the suspension of the antitrust laws and of all other restrictions or prohibitions of State or Federal authority except laws for the protection of the public health or safety and the requirements of the Railway Labor Act so far as necessary to carry out orders issued under this title. (b) of this section requires the coordinator to advise a State commission or the Governor of a State before he issues any order relieving any carrier from the operation of a law of the State or an order of the State commission.

SECTION 11

Section 11 provides that nothing may be done under this title to relieve any carrier from any contractual obligations which it may have assumed with regard to the location or maintenance of offices, shops, or roundhouses, at any point.

SECTION 12

Section 12 provides for penalties of not less than \$1,000 or more than \$20,000 for each day that an order of the coordinator is violated by a carrier, or any officer or employee of a carrier. It further provides that no one may be required by such an order to render labor or service without his consent.

SECTION 13

Section 13 directs the coordinator to investigate and consider means not provided for in this title of improving transportation conditions throughout the country. It is drawn to carry out the third purpose of the title as stated in section 4.

SECTION 14

Section 14 provides that the expenses of the coordinator shall be borne from a fund to be collected from the carriers on the basis of \$2 for every mile of road operated on December 31, 1932, and provides that the coordinator and members of his staff may receive free transportation from the railroad and Pullman companies.

SECTION 15

Section 15 is drawn to carry out the second purpose of the title as stated in section 4. The Commission shall not approve a loan to a carrier under the Reconstruction Finance Corporation Act as amended if it is of the opinion that the public interest requires the financial reorganization of the company, provided that this limitation does not apply to a receiver or trustee of a carrier.

SECTION 16

Section 16 provides for court review of orders and for expediting the determination of questions taken to the courts.

SECTION 17

Section 17 provides that this title shall cease to have effect at the end of 1 year unless extended by proclamation of the President for 1 year or any part thereof. Orders of the coordinator or the Commission made under this title shall continue in effect until vacated by the Commission or set aside by other lawful authority.

Mr. RAYBURN. I am going to close in about a minute, because I have been living with the securities bill and this bill for the past 8 weeks.

It is our hope that under this bill economies may be effected that will respond in relief to the masses of the people and yet not be burdensome on any group or upon any class. It is our intention in this legislation to be fair not only to those who work for the railroads, to those who own the railroads, but also to remember the more than 100,000,000 people of this country who neither work for the railroads nor own any stock in any railroads. I think sometimes in our enthusiasm for some group or from our knowledge of what some group wants that is represented by able lawyers and able laymen, we sometimes forget that vast body of people lying out there who are not vocal and cannot be heard except through their Representatives on the floor of the House of Representatives.

In the writing of railroad legislation it has always been my hope to punish nobody, to give nobody an unreasonable reward, but to write such laws as will be effective, having an eye single to the one great big thing, and that is the public interest. [Applause.] I thank you.

Mr. PARKER of New York. Mr. Chairman, I yield myself 30 minutes.

Mr. Chairman, the gentleman from Texas has just made a most excellent explanation of this bill, which is probably as complicated and as complex a bill as ever came before the Congress of the United States. The gentleman from Texas and myself have been on this committee for 20 years, and if there is anything more complex than the rate-making structure of the railroad systems I do not know what it is, and this measure goes to the very heart of the rate-making structure of the country.

I want to take a little different tack in explaining this bill, and before I proceed further I want to say that if this bill is not amended out of all reason I expect to support it, and support it heartily. I want to take up now the question of who owns and controls the railroads.

We are very apt here to have House Members speak of the railroads as an entity, and we confound management and ownership. I want to repeat that—we confound management and ownership.

I want to point out to you that the management—the people whom you call the railroads—have very little financial interest in the railroad itself. The men who are running the railroads, the presidents, the vice presidents, and the managers and directors, in percentage have very little financial interest in the railroads. They are as much hired men for the stockholders as the engine driver or the conductor or the brakeman.

They are running these roads for the stockholders.

Now, I will take these roads at random. Take, for instance, the New York Central; there are 54,000 stockholders in the New York Central Railroad. There is only one of the largest stockholders on the board of directors. The 30 largest stockholders in the New York Central Railroad control but about 12 percent of the voting stock of the road. Neither the directors, the president of the road, nor the vice president figure as heavy stockholders.

The figures I am quoting from are taken from the report that the chairman of the committee referred to as the "Dr. Splawn report", made when I was chairman of the committee.

Now, take a western road. Take the Illinois Central. There are over 20,000 stockholders in that road. There are but 2 directors in the Illinois Central among the 30 largest stockholders.

It is interesting to note that in the 30 largest stockholders they hold less than 8 percent of the stock. Your insurance companies hold 2 percent of that same stock.

As I say, the 30 largest individual stockholders only control 8 percent of the stock, and there are only 2 directors in the Illinois Central on the board among the 30 largest stockholders.

Mr. PARSONS. Will the gentleman yield?

Mr. PARKER of New York. I yield.

Mr. PARSONS. Does the gentleman mean the stockholders themselves or the stockholders and the bondholders?

Mr. PARKER of New York. I am not referring to the bondholders; they have no vote.

Mr. PARSONS. And the gentleman says that the insurance companies hold 2 percent of the stock of the Illinois Central?

Mr. PARKER of New York. Yes; this condition runs right through all the roads as far as the ownership or management is concerned. I am not taking up the rest, but I assure you they all run about the same.

The managers of the roads do not own the railroads. It aggravates me to death to have gentlemen stand on the floor and discuss the railroad as an entity. The railroads are not an entity, they are roads owned by the people. There are about 500,000 stockholders of railroads in the United States. They constitute the railroads, the management does not.

General Atterbury does not own the Pennsylvania Railroad, he is simply a hired man of the stockholders of the Pennsylvania Railroad.

Mr. DUNN. Will the gentleman yield?

Mr. PARSONS. I will.

Mr. DUNN. What is the value of all the railroads in the United States?

Mr. PARKER of New York. That is a very hard matter to arrive at. In the last computation I saw, that of the Interstate Commerce Commission, the value was between twenty-two and twenty-three billion dollars.

When we passed the law in 1914 to value the railroads, everybody thought that the railroads were very much overcapitalized; but it was not long before they saw that most of the roads were undercapitalized in the aggregate.

I agree with the gentleman from Texas, the chairman of the committee, who preceded me, that during the depression things have gone down and the railroads must reorganize, must cut down fixed charges for the sake of furnishing transportation at a reasonable rate to the public.

The gentleman spoke about the bonds. Allow me to say that there are \$12,000,000,000 of bonds of the railroads outstanding of all kinds. Of these twelve billion, \$6,600,000,000 are owned by public institutions and quasi-public institutions. When I say quasi-public institutions, I mean insurance companies, both life and fire. They are owned by savings banks and educational institutions and institutions of that kind. They are not held by these institutions for profit but for investment. Very few bonds of railroads are owned by these institutions that are held not for profit but for revenue which is used for the benefit of the public. Insurance companies hold their bonds primarily for the benefit of the policyholders. Of course, in educational institutions it is the same way.

I want now to say a word about the recapture clause, which is going to be, I presume, the most controversial section of the bill. There seems to be a prevailing impression among the Membership of the House that this money that was recaptured belongs to the Government. It does not and never did belong to the Government. It belongs to the railroads. It is put into a revolving fund, never to be spent by the Government for governmental purposes, but to be loaned to other railroads that need financial help. You often hear gentlemen say that we are taking money out of the Treasury, the taxpayers' money, and giving it back to

the railroads. That is untrue as anything could possibly be, because the act of 1920 created a revolving fund, to be half of the money over 6 percent earned by the railroads.

All of the large roads practically have not paid the recapture. We have spent \$90,000,000 valuing the railroads. I want to pay my compliments to the Interstate Commerce Commission. They have proceeded with all the diligence possible to value the railroads, but when you stop to think of the thousands and thousands of miles of railroads and the different accessories that go with railroads, you will see that it is a task that is tremendous. They have not yet been able to complete it.

Mr. OLIVER of Alabama. Mr. Chairman, will the gentleman yield?

Mr. PARKER of New York. Yes.

Mr. OLIVER of Alabama. Will the hearings disclose what roads have paid money into that revolving fund?

Mr. PARKER of New York. Yes; I thought I had that here, but I have not. I will refer to that under the 5-minute rule. Outside of one big steel road, all the money was practically paid by the small roads.

Mr. OLIVER of Alabama. Do the hearings also disclose what roads are indebted to the Government for money borrowed from the Finance Corporation?

Mr. PARKER of New York. No; we are not discussing that at all.

Mr. OLIVER of Alabama. Is it the purpose of the committee to recommend the payment out of this revolving fund of amounts due from the roads that have borrowed from the Government through the Reconstruction Finance Corporation?

Mr. PARKER of New York. No. I want to repeat what the gentleman from Texas [Mr. RAYBURN] said. You cannot make fish of one and fowl of another. If we are going to relieve the roads that have not paid, we should pay back to the roads that have paid. That is a fair proposition. You may be against the whole proposition, but you cannot be for one class and not be for the other, because it is not fair. This money never went into the Treasury for the use of the Federal Government. It went into the Treasury as a revolving fund. The railroads were valued, as I say, fairly completely. The *O'Fallon* case was brought as a test case before the Supreme Court of the United States. We expended \$90,000,000 to value the railroads. In the *O'Fallon* case the Supreme Court said that the formula that the Interstate Commerce Commission had used was wrong; that their valuation was wrong. Therefore you have to start valuation all over again if you are going into this recapture business, and value the railroads all over again on the formula laid down and enunciated by the Supreme Court of the United States, which will cost millions and millions of dollars to do. The valuation that we have now is all right for rate making. So long as they used the valuation for rate making, you never heard any particular complaint. It was a success, because it was a tentative value. I mean before we passed the act of 1920, when all the railroads had to depend on for redress was the confiscation clause of the Constitution—6 percent or a fair return on the money invested. Up to that time there had never been any particular complaint about the value put on the railroads by the Interstate Commerce Commission.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. PARKER of New York. Yes.

Mr. MAY. Under the Transportation Act of 1920, which created the recapture clause, the purpose, as I understood the legislation, was to enable the weaker railroads, by reason of their lack of earning capacity, to be financed with the funds earned by those who had greater earnings, and in that way provide for uniform rates.

Mr. PARKER of New York. That is the theory.

Mr. MAY. In other words, carriers who were able to make a larger return in excess of 6 percent could go on a lower rate and thus in effect raise the rate of the small roads, because it would naturally drive the business away from the smaller roads to the larger.

Mr. PARKER of New York. That is correct. That was the theory of it.

Mr. MAY. In view of that, I should like to ask the gentleman whether he has read the opinion of the Supreme Court in the case of *Dayton-Goose Creek Railroad Co. v. United States* (263 U. S. 456), where they laid down the following doctrine:

By the recapture clauses Congress is enabled to maintain uniform rates of shippers and yet keep the net return of railroads, whether strong or weak, to the varying percentages which are fair, respectively, for them. The recapture clauses are thus the key provision of the whole plan.

Mr. PARKER of New York. That is true.

Mr. MAY. In view of that statement by the highest court of the land, I should like the gentleman to explain just how the bill is going to relieve the railroads.

Mr. PARKER of New York. The theory under which 15a was written in the law of 1920 was the theory of value. This bill is not written on the theory of value. The theory on which the Transportation Act was written, as explained by the gentleman from Texas [Mr. RAYBURN], was to insure all railroads 6-percent interest. This is on the theory of a reasonable return; not a fixed, hard-and-fast return. The theory of this bill is to allow railroads to earn more than they should in good years to be able to tide them over in bad years, so that we will not need a Reconstruction Finance Corporation to stop them from going into bankruptcy.

Mr. MAY. Of course, we all realize the importance of the railroads to the country as a transportation agency; and the fact that their securities are held by all the institutions which the gentleman has mentioned makes it important to take care of them, but I should like to ask the gentleman if he has given attention to the legal question as to whether or not the ten or twelve million dollars paid into the Treasury constitutes a Treasury fund and cannot be legislated out to the railroads by Congress?

Mr. PARKER of New York. Oh, I would not say it could not be legislated out.

Mr. MAY. But it is a fund in the Treasury to be appropriated to private industry.

Mr. PARKER of New York. It is a fund in the Treasury segregated to a particular use. I do not have any doubt Congress could do anything it wanted with that fund.

Mr. WHITTINGTON. Will the gentleman yield?

Mr. PARKER of New York. I yield.

Mr. WHITTINGTON. Approximately how much has the Government spent in valuing the railroads?

Mr. PARKER of New York. About \$90,000,000; and it has been perfectly useless.

Mr. PARSONS. Will the gentleman yield further?

Mr. PARKER of New York. I yield.

Mr. PARSONS. The gentleman made a statement a few minutes ago that after the valuations were made up it was learned that the railroads were not so very much overcapitalized.

Mr. PARKER of New York. That is true.

Mr. PARSONS. The valuation that was made in 1916 and 1918 placed a valuation of approximately \$15,500,000,000, but the railroads claimed a capital structure at that time of approximately \$20,000,000,000.

Mr. PARKER of New York. The last figures I saw from the Interstate Commerce Commission reckoned the capitalization at about \$21,000,000,000.

Mr. PARSONS. The railroads have a capital structure at this time of between twenty-four and twenty-five billion.

Mr. PARKER of New York. Yes.

Mr. PARSONS. Commissioner Eastman, if I am not mistaken, made a statement substantially that they were about three and a half or four billion dollars overcapitalized.

Mr. PARKER of New York. Yes; that is true.

Mr. PARSONS. In view of the two valuations, 1918 and 1930, the bonds and capital structure have increased \$4,000,000,000 with no effort ever having been made to retire a single bond that was issued against the railroads.

Mr. PARKER of New York. In answer to the gentleman's question, I may state if the gentleman had studied and lived

with the Interstate Commerce Act as long as we have, he would realize some of the difficulties confronting us. For instance, the bookkeeping of the railroads is absolutely set down by the Interstate Commerce Commission.

Mr. PARSONS. I understand that.

Mr. PARKER of New York. They must charge to capital account every single improvement and every betterment.

Mr. PARSONS. Certain portions of them.

Mr. PARKER of New York. No; all of them. They cannot charge it to operating expense. That is according to law. They cannot charge betterments and improvements to operating expense, for the reason that if they did that they could raise their rates. That is the reason for it. The capital of the railroads has increased since the war almost \$6,000,000,000, and that money has been spent, every dollar of it, with the approval of the Interstate Commerce Commission.

Mr. PARSONS. Will the gentleman yield right there for a brief question?

Mr. PARKER of New York. Yes.

Mr. PARSONS. During the period from 1911 to 1930 the railroads paid dividends to the extent of \$7,500,000,000 approximately, and interest on their bonds to the extent of \$9,500,000,000 approximately.

Mr. PARKER of New York. Yes.

Mr. PARSONS. That is about the total value of the railroads in 1918. They have made no effort whatsoever during the fat years to retire a single bond, in order to be able to reduce the rate structure. Does the gentleman believe that refunding operations should be forced on the railroads by the Interstate Commerce Commission to retire bonded structure?

Mr. PARKER of New York. I do not think constitutionally it can be done.

Mr. PARSONS. Well, the gentleman knows we have given the Interstate Commerce Commission wide powers to handle the railroads as a father handles his child, almost.

Mr. PARKER of New York. That is true.

Mr. PARSONS. If we can give them all those powers, certainly the Interstate Commerce Commission could make the railroads set up a refunding operation to retire their bonded structure.

Mr. PARKER of New York. In answer to the gentleman, I may say it is very easy to do what the gentleman wants to do. If a railroad wants to go through the process of reorganization under the bankruptcy law and reduce its capital stock, they have a perfect right to do it, but I doubt very much if the Federal Government has a right to throw a private corporation into bankruptcy, under the Constitution of the United States.

Mr. GOSS. Will the gentleman yield?

Mr. PARKER of New York. I yield.

Mr. GOSS. If we have a Federal coordinator and it is set up as contemplated under the terms of this bill, can the distinguished gentleman tell us, or has he heard how much saving may be made to the railroads as outlined by the coordinator?

Mr. PARKER of New York. I have heard various estimates, and they varied to such a degree that I would not try to make an estimate of my own.

Mr. GOSS. Then, as I understand it, there is really no sound estimate anywhere of savings made by the railroads?

Mr. PARKER of New York. Does the gentleman want my own personal opinion?

Mr. GOSS. I should like the gentleman's opinion or the opinion of any other he would like to quote.

Mr. PARKER of New York. My own personal opinion is this: The most valuable thing in title I is the section that instructs the coordinator to make a very careful study of everything that can be done and report back to Congress for future legislation. In my judgment, that is the most important thing there is in title I.

Mr. GOSS. But the gentleman does not contemplate any real savings, then?

Mr. PARKER of New York. I hope there will be.

Mr. GOSS. Now, I notice in connection with terminal facilities that about 30 percent of the freight revenue of the

four largest railroads is in the hauling of coal which does not pass through terminal facilities to any great extent. Therefore 30 percent of the revenues of the railroads are eliminated from any savings, in any event, practically. I wish somebody, somewhere in this debate, would be able to tell us how much saving there will be by this coordinator. It is a terrible price to pay to put a coordinator in if there is going to be no saving made under the terms of the bill.

Mr. PARKER of New York. I will simply say that if my information is correct, the railroads are going to pay for the coordinator and for all of his help. They are going to be charged \$2 a mile.

Mr. GOSS. Is it not \$1 a mile?

Mr. PARKER of New York. No; the bill provides \$2 a mile.

Mr. GOSS. That will bring in approximately \$500,000.

Mr. PARKER of New York. Yes; and if my understanding is correct, the railroads do not object to this proposition.

Mr. GOSS. I do not mean cost in dollars and cents so much as I do the tremendous power given him and what he may do. If we have not got any real savings in sight, why put him in?

Mr. PARKER of New York. We hope to get real savings.

Mr. GOSS. That is what I am getting at. How much is it estimated to be?

Mr. PARKER of New York. I have no more idea than has the gentleman from Connecticut.

Mr. GOSS. And no one else has.

Mr. PARKER of New York. And no one else has.

Mr. MAY. Mr. Chairman, will the gentleman yield?

Mr. PARKER of New York. I yield.

Mr. MAY. I take it the bill is for the benefit of the railroads and I am interested in knowing—

Mr. PARKER of New York. Oh, no, no; that is not a correct statement.

Mr. MAY. That it is not for the interest of the railroads?

Mr. PARKER of New York. The gentleman speaks as though that were the only interest.

Mr. MAY. Not the only one, of course.

Mr. PARKER of New York. That is one interest; yes.

Mr. MAY. Is not the purpose of the legislation to benefit the railroads?

Mr. PARKER of New York. Yes; and to benefit the shippers and the employees.

Mr. MAY. Certainly.

Mr. PARKER of New York. All right. I ask the gentleman to include that in any question he wishes to ask me. Be fair about it.

Mr. MAY. I will ask this question, then: Does the gentleman find from the hearings in the consideration of this bill that there is going to be a lot of mergers and elimination of transportation facilities over the country; and, if so, to what extent does he find this is apt to occur?

Mr. PARKER of New York. That is a question we can eliminate now under order of the Interstate Commerce Commission.

Mr. MAY. It cannot be done except with permission of the Interstate Commerce Commission.

Mr. PARKER of New York. They cannot eliminate further facilities under this bill than they can at the present time.

Mr. MAY. If they cannot, then why not let the Interstate Commerce Commission handle it without the bill?

Mr. PARKER of New York. In the final analysis, it will go to the Interstate Commerce Commission, anyway; because if out in the gentleman's district the coordinator should issue an order that one of his little "jerkwater" lines, such as I have in my district, was to be abandoned, his people would rise up in arms and they would appeal to the Interstate Commerce Commission, which they have the right to do, and the order would be set aside. So, in the final analysis, it all comes down to the Interstate Commerce Commission, the same as it is now. However, I do believe much saving will be brought about through agreements made between the railroads through the good offices of the coordinator acting as a mediator.

Mr. MAY. Then the real object or purpose of the bill is to see what can be done in the way of economies?

Mr. PARKER of New York. I think that is the greatest object, yes; but I think many other things will be done. For instance, to give the gentleman an illustration, I most certainly hope they will do something that will reduce the number of trains between New York and Chicago, and something which will bring about the unification of terminals. I hope something can be done to reduce the number of trains between Washington and New York, and that both the Baltimore & Ohio and Pennsylvania may be able to use the same terminal. But to do this they have got to take care of the labor. We have taken care of the labor end of it, but still it costs a tremendous amount of money to run these fast trains. I have gone to New York frequently when there have not been more than half a dozen people on the train. It is uneconomical to run a train under such conditions.

Our theory has been uniform rates established by the Commission. If you are going from here to Chicago, it does not make one dime of difference what road you go over, your fare is exactly the same. If you go from here to New York, whether you go by Baltimore & Ohio or Pennsylvania, your fare is exactly the same.

[Here the gavel fell.]

Mr. PARKER of New York. Mr. Chairman, I yield myself 15 additional minutes.

The CHAIRMAN (Mr. LLOYD). The gentleman from New York is recognized for an additional 15 minutes.

Mr. PARKER of New York. If you are going from here to St. Louis, it makes absolutely no difference which way you go, you pay the same fare. Our theory has been to foster competition, and this competition has been ruinously expensive. We are trying our best in this bill to cut out some of this ruinous, expensive competition, thus to bring about economies which will be reflected in both passenger and freight rates. I think I have answered the gentleman's question.

Mr. WOOD of Missouri. Mr. Chairman, will the gentleman yield?

Mr. PARKER of New York. I yield.

Mr. WOOD of Missouri. The gentleman said there would be elimination of terminals. Unification of terminals is provided.

Mr. PARKER of New York. I meant combination, not elimination.

Mr. WOOD of Missouri. In what respect does this benefit the employees of the railroads over the present operation of the systems?

Mr. PARKER of New York. The law carries with it a provision that the railroad employees shall not be reduced below a certain percentage. As the gentleman from Texas very well explained, the natural reduction is 5 percent. That is 50,000. Now, they cannot be reduced more than 50,000, the ordinary reduction from natural causes.

Mr. WOOD of Missouri. Does the gentleman think it is a benefit to the employees to provide for a reduction in their number by 50,000?

Mr. PARKER of New York. It is the employees' own proposition.

Mr. MEAD. Mr. Chairman, will the gentleman yield?

Mr. PARKER of New York. I yield.

Mr. MEAD. I may say to my colleague from New York that the members of his committee have been very sympathetic so far as the employees are concerned, and I hope that every amendment that was adopted in the Senate, together with those same amendments that were adopted in the committee, are placed in the bill. However, we must not lose sight of the fact that labor is called upon to make a tremendous sacrifice in accepting this bill when we consider the fact that in 1920 there were over 2,000,000 railroad employees and today there are less than 1,000,000, and that by this bill we arbitrarily prevent the future employment of those men who are now furloughed or dismissed because the slack can be taken up by perfecting economies which will be authorized and approved by the coordinator and the Commission.

Mr. PARKER of New York. That is possible.

Mr. MEAD. So while your committee has been very patient and very sympathetic, we must not lose sight of the fact that in the industrial control bill we are creating employment, while in this bill we are preventing employment.

Mr. PARKER of New York. I will not agree with the gentleman that we are preventing employment.

Mr. MEAD. At least in part, the gentleman will agree.

Mr. PARKER of New York. No; I will not even go that far. We are freezing it or we are holding it just where it is. It would go down 5 percent anyway and we are not exceeding the natural reduction.

Mr. SNYDER. Will the gentleman yield?

Mr. PARKER of New York. I yield.

Mr. SNYDER. The gentleman said that the employment would remain as of May 1933.

Mr. PARKER of New York. Yes.

Mr. SNYDER. Let us assume that within a year business picks up so they would have to take on one third more employees; would they take these men that are now furloughed, or could they hire anyone?

Mr. PARKER of New York. That is a question I could not answer, because I do not happen to belong to the brotherhoods and do not know what their rules are. I assume they are all on a list and will be taken on in the order of their seniority.

Mr. SNYDER. Does this bill affect that?

Mr. PARKER of New York. This bill does not affect that, because that has nothing to do with us at all. That is an agreement between the railroads and their employees. The men who are furloughed are the men farthest down the list, and I assume the brotherhoods will see to it that the men who are put back are the men at the top of the list, until they get them all back. This bill does not affect that at all, because that is a private agreement.

Mr. WOOD of Missouri. Will the gentleman yield?

Mr. PARKER of New York. I yield.

Mr. WOOD of Missouri. I may say that insofar as the railroad brotherhoods are concerned, the rule of seniority prevails, but insofar as these so-called "independent unions" are concerned, seniority does not prevail, and it is a question whether they will get back to work or not.

Mr. PARKER of New York. I have, perhaps, a little more faith than the gentleman has in fair play. My experience in life has been that the majority of the people play the game of life fairly, and I believe that if a man has been a good employee he will be taken back. If you have some employee who was unsatisfactory, I do not believe such people will be taken back if they can help it. Let us be fair about it.

Mr. PIERCE. Will the gentleman yield?

Mr. PARKER of New York. Yes.

Mr. PIERCE. Have a large number of the railroads paid dividends on their stock?

Mr. PARKER of New York. Very few of them.

Mr. PIERCE. Or interest on their bonds?

Mr. PARKER of New York. Oh, they have to do that.

Mr. PIERCE. They have all paid the interest on their bonds?

Mr. PARKER of New York. Oh, no; but those who have not have gone into the hands of receivers. They go into the receivership when they do not pay the interest on their bonds.

Mr. PIERCE. What percentage of them?

Mr. PARKER of New York. Quite a few of the big lines.

Mr. PIERCE. What proportion of the big lines have paid dividends on their stock?

Mr. PARKER of New York. Very, very few of them.

Mr. PIERCE. But they have paid the interest on their bonds?

Mr. PARKER of New York. They have paid their interest, yes.

Mr. PIERCE. And the bonds represent practically the investment?

Mr. PARKER of New York. No; they do not, in most cases. For instance, in my own State of New York, under

the law we have a preferred list of bonds that trusts can buy—one of the primary clauses in that law is that the moment the bond defaults it goes off of that preferred list—a list of bonds that savings banks can buy and trust companies can buy and insurance companies can buy. The minute they default they go off that list and they have got to be thrown on the market and sold.

Mr. PIERCE. Is it not true that the railroads received their deathblow when the truck came, except for long hauls?

Mr. PARKER of New York. No; I do not think it was a deathblow. I think they received a very hard jolt in the jaw, but I do not think it is a deathblow. I think they will survive. I think they are wounded and wounded badly, but I think they will survive.

Mr. BIERMANN. Will the gentleman yield?

Mr. PARKER of New York. I yield.

Mr. BIERMANN. Has this bill, as the House committee has written it, been approved by the railroad brotherhoods?

Mr. PARKER of New York. Absolutely, so far as I know. I was not in the conference because I belong on the other side of the House, but I was in a conference afterward, and my understanding is that they did approve it verbatim.

Mr. BIERMANN. Then a vote for the House bill is a vote in accordance with the expression of the railroad brotherhoods?

Mr. PARKER of New York. That is my understanding. I do not say it is, but I say that is what I believe, and I have reason to believe that that is true. However, when you get a thing second-hand you cannot make a definite statement that it is so. The gentleman told me, I believe told me the truth, and they told me it was acceptable to labor.

Mr. GOSS. Will the gentleman yield?

Mr. PARKER of New York. Yes.

Mr. GOSS. Under the coordinator section, subsection (2) of section 4, I find this language:

To promote financial reorganization of the carriers, with due regard to legal rights, so as to reduce fixed charges to the extent required by the public interest and improve carrier credit.

Is this language sufficiently broad so that the coordinator may sell any of the terminal rights of a railroad to improve carrier credit and have that claim put on the Government?

Mr. PARKER of New York. Not a bit of it; no.

Mr. GOSS. What is meant by that language?

Mr. PARKER of New York. What is meant by that is that if you can get 2 or 3 roads together and they can agree, all right; you can then go through with it, and the coordinator will put his order through.

Mr. GOSS. But this is under the coordinator section.

Mr. PARKER of New York. I grant you that; but to illustrate, he will do just what I stated a moment ago. He will get the Pennsylvania and the Baltimore & Ohio together and try to make them use the Pennsylvania terminal; but, of course, the Baltimore & Ohio will have to pay for it.

Mr. GOSS. That would not be decreasing the fixed charges one bit.

Mr. PARKER of New York. I do not know whether it would or not. It would stop the Baltimore & Ohio from running those ferries and running all those busses which they now run in New York City.

Mr. GOSS. The gentleman has admitted that you can not cut down on the employees. Suppose you had four tugs on the Hudson River and you wanted to cut down, how can you decrease the fixed charges? It cannot be done.

Mr. PARKER of New York. Yes; it can be done; you can cut out the running of the ferries between New York and Jersey City.

Mr. GOSS. But you would only save the fuel; you would have to pay the men, and you would have to pay the interest on the cost of the tugs.

Mr. PARKER of New York. But you could sell the tugs.

Mr. GOSS. Well, if you can sell the tugs, why cannot you sell the terminals?

Mr. PARKER of New York. If they agree to it; yes. They could do that now.

Mr. GOSS. Can the coordinator put any claim on the Federal Government?

Mr. PARKER of New York. Absolutely no; the Federal Government is not liable for a single thing the coordinator does. The regional board, consisting of seven directors for the eastern, western, and southern divisions, can get together, and if they agree, all well and good; and if the coordinator can be of any help, well and good. If there is anything advantageous to do, he orders them to do it, and they have to do it, although they have the power to appeal, both to the Interstate Commerce Commission and to the courts.

Now, why is the coordinator authorized; why do we put the coordinator in the picture? Because the regional boards cannot do anything contrary to the antitrust law. The coordinator can. If he should see that it was advantageous to abandon a certain line that parallels another, he could order it done, subject, of course, to the final decision of the Interstate Commerce Commission. But the railroads themselves could not do it. That is the plain statement of facts.

Now, I certainly hope when we come to consider the bill under the 5-minute rule that you will accept the bill pretty much as it is.

As I said at the outset, this is one of the most complicated bills that you can imagine. A change in one line here on this page means the change perhaps in the phraseology three sections farther on. A person who has not studied the question thoroughly is embarking on a dangerous procedure when he attempts to amend a bill of this kind.

Now, do not misunderstand me. The House is just as intelligent as the committee, but they have not had the time, they have not had the opportunity to study the bill as we have.

Mrs. McCARTHY. Will the gentleman yield?

Mr. PARKER of New York. I yield.

Mrs. McCARTHY. The gentleman made the statement that if the railroads did not pay the dividends they would go into the hands of a receiver.

Mr. PARKER of New York. Oh, no. I said if they did not pay the interest on the bonds.

Mrs. McCARTHY. Is it not true that the railroads have borrowed from the Reconstruction Finance Corporation money to pay interest on the bonds?

Mr. PARKER of New York. Yes.

Mrs. McCARTHY. Is it not true that thereby their debts will be increased?

Mr. PARKER of New York. We hope they will be lessened. Let me say that these bonds are largely held by the public institutions; and if their bonds should be thrown upon the market, you know what it means, if they were thrown on the market in large quantities. That is the reason the Reconstruction Finance Corporation came to the rescue of the railroads to a large extent—to keep them in a solvent condition so that their bonds could be used as trust funds.

Mrs. McCARTHY. Is it not true that when they begin to borrow money to pay interest on their bonds that eventually they go into the hands of a receiver?

Mr. PARKER of New York. That is a question of course. There is a difference of opinion, but history has a queer way of repeating itself. In 1920 the railroads were in almost as bad condition as they are today. We loaned the railroads in 1920, through the War Finance Corporation, a billion and a half dollars. Every dollar of that has been paid back except \$38,000,000, and that \$38,000,000 was owed by small railroads that have gone into the hands of receivers and finally out of business. The Government made on that transaction over \$200,000,000 profit. That seems incredible, but nevertheless it is true. We charged the railroads 6 percent on the borrowed money, borrowed the money from the people at 4 percent. The difference between the 6-percent and the 4-percent interest made a profit to the Government of something over \$200,000,000, charging off, of course, the \$38,000,000 that we did not get returned.

Mrs. McCARTHY. I want to know if all groups of employees are taken care of under this bill?

Mr. PARKER of New York. Absolutely.

Mrs. McCARTHY. There was an amendment added to the bill in the Senate that provided only for employees that entered into certain agreements in Chicago.

Mr. PARKER of New York. The gentleman from Texas [Mr. RAYBURN] explained that. We have broadened that to allow the representation of all labor groups.

Mrs. McCARTHY. Then the shopworkers are taken care of?

Mr. PARKER of New York. Yes.

Mr. BROWN of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. PARKER of New York. Yes.

Mr. BROWN of Kentucky. Can the gentleman tell us how much of the money loaned by the Reconstruction Finance Corporation last year and this year has been paid back?

Mr. PARKER of New York. I could not say.

Mr. DONDERO. Mr. Chairman, I have received a great many letters and communications from railway organizations in Detroit protesting against the labor provision in the Senate bill and asking me to support an amendment proposed by labor. Can the gentleman tell the House whether or not there has been an agreement reached whereby that objectionable clause would be eliminated?

Mr. PARKER of New York. There has been an agreement reached, as I understand it, which is entirely satisfactory to all classes of railway labor.

Mr. DONDERO. And that is included in this bill?

Mr. PARKER of New York. That is included in an amendment that we will have in the bill and which we will read tomorrow.

Mr. LAMNECK. Mr. Chairman, I am interested in the elimination of so-called "duplicate service", and I am told that one plan proposed is to tear up the Baltimore & Ohio tracks from here up to New York and run all the service over the Pennsylvania Railroad.

Mr. PARKER of New York. I never heard of that.

Mr. LAMNECK. The bill provides that the coordinator shall pick out places where they have duplicate service and eliminate tracks, and so forth. I understand that is one of the proposals.

Mr. PARKER of New York. Oh, no. I do not think that is the proposal at all. I do not think a road like the Baltimore & Ohio would ever be torn up.

Mr. LAMNECK. It is a duplicate service.

Mr. PARKER of New York. What I meant by duplicate service was this: Take 2 trains leaving the Union Station here at 3 o'clock, 1 on the Pennsylvania and 1 on the Baltimore & Ohio, 20 feet apart. That is what I meant by duplicate service.

Mr. DOBBINS. The gentleman stated that the changes made by the committee here suited all classes of labor.

Mr. PARKER of New York. That is my understanding.

Mr. DOBBINS. Does that suit the so-called "company unions"?

Mr. PARKER of New York. That is my understanding, that was our intention. I thank the members of the committee. [Applause.]

Mr. HUDDLESTON. Mr. Chairman, I yield 15 minutes to the gentleman from Missouri [Mr. MILLIGAN].

Mr. MILLIGAN. I propose in my time to go in detail into some of the provisions of the bill, because of the fact that Members have only had the bill before them for a very short time.

This bill has three purposes: First, to create a Federal coordinator of transportation to be appointed by the President of the United States, with the advice and consent of the Senate, unless a member of the Interstate Commerce Commission is appointed to act in this capacity; in such case it does not require confirmation of the coordinator due to the fact he has already been confirmed by the Senate as a member of the Commission.

The coordinator is directed to divide the carriers into three groups; namely, the eastern group, the southern group, and the western group. The coordinator is also authorized to designate three regional coordinating committees composed of 5 regular members and 2 special members; 1 of the spe-

cial members representing railroads which in 1932 had operating revenues of less than \$1,000,000, the other special member representing the electric railroads within the group not owned by the steam railroads or operated as a part of the general steam-railroad system. These special members are to be called in when the interests of their different groups are under consideration. The duties of the coordinator are to encourage, promote, and require action on the part of the carriers in order to prevent duplication of services and facilities of any nature and to permit the joint use of terminals and trackage, to control allowances, accessorial services, and other practices affecting services or operations to the end that undue impairment of net earnings may be prevented in order to avoid waste and prevent extravagances; to promote financial reorganization of the carriers with due regard to legal rights so as to reduce fixed charges to the extent required by the public interest and improve the carrier credit; to provide for the study of other means of improved conditions surrounding transportation in all its forms and prepare a plan with this view.

The duties of the committees set out in this act on their own initiative, within each group, are to make recommendations to the coordinator to carry out the purposes mentioned above. The coordinator is to confer freely with these committees and give them the benefit of his advice and assistance.

A labor committee for each regional group of carriers may be selected for those railroad-labor organizations which are designated and authorized to act in accordance with the Railroad Labor Act that entered into agreement on January 31, 1932, and December 21, 1932, with the duly authorized representatives of the carriers as to wages. A similar committee is created for each regional group of carriers by other railroad-labor organizations as are designated and authorized to represent employees in accordance with the Railroad Labor Act. The coordinator must give reasonable notice and confer with the appropriate regional committee or committees on the subject matter prior to taking any action which affects the interests of the employees in order to afford the regional labor committee an opportunity to present their views on the contemplated action or order.

The bill also provides that the number of employees in the service of the carriers shall not be reduced by any action taken under title I of this bill below the number shown by the pay rolls during the month of May 1933, deducting from the pay rolls the number reduced by reason of death, retirement, or resignation, but not more than 5 percent of said number in any one year. No employee can be deprived of employment such as he had during the month of May 1933, or his compensation for such employment by authority conferred in title I.

The coordinator is directed to establish regional boards of adjustment to settle controversies between carriers and employees, and the carrier and the employees shall be equally represented on such board for settlement of controversies. These boards are to function as the boards of adjustment provided by the Railroad Labor Act.

The coordinator is further directed to provide means for determining the amount of damage and require the carriers to make just compensation for property loss and expense brought on the employees by reason of transferring such employees from one locality to another.

Any order that may be issued by the coordinator shall be made public not less than 20 days before the order becomes effective. Such order made by the coordinator may be suspended or set aside by the Interstate Commerce Commission. It is also provided that any interested party dissatisfied by the order issued by the coordinator may, within the 20 days, file a petition with the Commission asking that such order be reviewed and suspended pending such review.

If the Commission, after considering the petition and answer, has reason to believe the order to be unjust to the petitioner or against the public interest, the Commission may grant a review and, in its discretion, suspend the order if they find immediate enforcement of such order would result in irreparable damage to the petitioner or work a detriment

to the public interest. However, if the Commission suspends an order, it shall expedite the hearing and decision, giving due notice and a public hearing, review the order, and take such action as it may seem to them just and consistent with the public interest—either confirm the order, set it aside, or reissue it in a modified form. Any final order that is made shall be subject to the same rights of relief in court by any party in interest as is provided in respect to orders of the Commission made under the Interstate Commerce Act.

The orders of the Commission or the coordinator are to remain in effect until set aside by the coordinator, the Commission, or the Congress.

The carriers affected by any order of the coordinator or the Commission are relieved from the operation of the anti-trust laws and other restrictions or prohibitions by law of the State or Federal Governments as may be necessary to carry out such order, the exceptions being laws of public health and safety and the Railroad Labor Act.

Where the coordinator issues an order relieving the carrier from the operation of any State law or of the order of any State commission, he shall advise the Governor or the commission of that State that such order is contemplated, in order to afford the State authorities opportunity to present their views relative to the contemplated order.

Title I does not relieve any carrier from any contractual obligation which it may have assumed prior to this law with regard to the location and maintenance of offices or shops at any particular place.

Any officer or carrier willfully failing or refusing to carry out any order issued by the coordinator or the Commission under this act is deemed guilty of a misdemeanor, and upon conviction is subject to fine of not less than \$1,000 or more than \$20,000 for each offense each day during which time said carrier or person willfully fails or refuses to comply with such order.

No authority is given in this act to require any employee or officer or group thereof to render labor or services without his or their consent, and no order requiring such service or making illegal the failure or refusal of employees to render such services shall be legal.

It is provided that within 30 days after the enactment of this bill and for the first year of operation \$2 for each mile of railroad operated on December 31, 1932, shall be paid by the carrier to pay the expense of carrying out the provisions of this act.

It is provided that title I of this act shall cease to be effective at the end of 1 year, unless extended by a proclamation of the President for 1 year or any part thereof. However, it is provided that an order of the coordinator or the Commission shall continue in effect until set aside by lawful authority, but no order shall be operative to relieve any carrier from the effect of any State law or order of a State commission made after this title ceases to have effect.

Title II of this bill provides in part for the regulation of railroad holding companies under the Interstate Commerce Commission.

Under the Interstate Commerce Act the Interstate Commerce Commission was directed to prepare and adopt a plan for the consolidation of railway properties of the United States into a limited number of systems.

During the process of developing this plan the Commission found that certain interests, through holding companies, had been acquiring control of certain railroad lines. As a result, the Commission in its annual report of 1929 made the following statement:

The subjection of the unification of carriers by railroad to the orderly processes of a carefully planned scheme of public regulation, which section 5 was designed to accomplish, is very likely to be partially or even wholly defeated, subject to the possibility that the Clayton Antitrust Act may in some measure, after protracted litigation, enable control over the situation to be maintained.

The Commission also made the following recommendation to Congress:

That in view of the fact that the acquisition of control or of an amount of stock sufficient to influence the policies of competing

railroads, either by individuals or other noncarrier corporations, may result in the suppression of competition, consideration should now be given by the Congress to possible legislation.

As a result of this statement and recommendation by the Commission, the House of Representatives passed a resolution in the Seventy-first Congress authorizing and directing the Committee on Interstate and Foreign Commerce to conduct a thorough investigation of the holding-company situation as related to railroads. This was done, and a complete and comprehensive report was made by the committee.

This investigation developed that although application for the unification of certain railroads had been denied by the Commission, as against the public interest, yet the unification was accomplished through holding companies, and to all intents and purposes the consolidation was as effective as though the Commission had given its approval.

This measure deprives these holding companies of the power to prevent the Commission from carrying out the mandate of the Congress. As the situation now stands, certain railroads can defeat the purpose of the law although the Commission finds its action to be in the public interest. This is the condition that this part of the bill seeks to correct.

It provides that where a holding company acquires a railroad it shall be treated as though it were a common carrier, in that it must obtain approval of the Commission and then be subject as a railroad to make annual reports as prescribed by the Commission; be subject, as other carriers, to uniform system of accounts and other regulations provided in section 20 of the Transportation Act; also subject to paragraphs 2 to 11, inclusive, of section 20a regulating issuance of securities and assumption of liabilities of carriers.

I can see no valid reason why holding companies engaged in the transportation business should be allowed to defeat the will of Congress and not be subject to the same regulation as the carrier.

Mr. PARSONS. Mr. Chairman, will the gentleman yield?

Mr. MILLIGAN. Yes.

Mr. PARSONS. Under the set-up of the Interstate Commerce Commission, is there any real competition between railroads?

Mr. MILLIGAN. There is competition of service. That is about the only competition.

The third object of this bill is to strike out section 15a of the Transportation Act and to substitute what is termed a rule of rate making, setting out certain factors which among others the Commission in prescribing just and reasonable rates must take into consideration, and to amend paragraphs f and g of section 19a of the Transportation Act.

Section 15a of the Interstate Commerce Act, as now provided in the law, contains a recapture provision and the rule of rate making. Under this section any carrier receiving for any year a net railroad operating income in excess of 6 percent of the value of the railroad property used in the service of transportation, one half of such excess shall be placed in a reserve fund maintained by the carrier for the purpose of paying dividends, interest on its securities, rent for leased road and the remaining one half is to be paid to the Commission for the purpose of establishing and maintaining a general railroad revolving fund. This fund shall be used in the furtherance of the public interest of railroad transportation for making loans to carriers to meet expense for capital account or to refund maturing securities or for the purchase of transportation facilities, and lease the same to the carriers.

Under this provision the commission has roughly estimated that its inquiries would result in orders to recapture the sum of \$360,000,000 from the different carriers. Of this sum only \$10,000,000 has been put in final orders and been paid in, the interest amounting to some \$3,000,000. The total now held under the recapture provision amounts to \$13,000,000. The Commission has not been able to collect the remainder of this sum. Most that has been paid in has been paid under protest. Litigation is now pending in the courts for the balance with no prospects for collection. This provision, which was enacted in 1920, was not recom-

mended by the railroads, the Interstate Commerce Commission, or the shippers. As I understand, it was suggested by one man in the interest of the security holders of the railroad companies, based on the belief it would enhance the value of these holdings by setting up as they believed a guaranty.

In my opinion this provision should have never been placed in the law. It has been a detriment to the railroads and costly to the shippers and the public. A railroad may have one prosperous year and then have several poor years in which it does not pay operating expenses. We know there are fluctuations in railroad traffic. This may be due to floods, droughts, crop failures, or other causes. Many local conditions may affect materially the traffic over a railroad line. One railroad may be strong financially because of the undercapitalization, another road may be weak financially because of overcapitalization; but in applying the recapture provision, this is not given consideration because it is based upon the value of the railroad property. You permit a carrier to earn more in 1 year than it is entitled to, and then to recapture the excess above 6 percent to me seems illogical. To me it is axiomatic that you cannot limit the earnings of a railroad property in prosperous times without guaranteeing earnings in bad times. We know this provision in the law has led to wasteful extravagance by railroads in order to avoid recapture. In my opinion the repeal of section 15a should ultimately result in lower freight rates. We know it is impossible at this time to collect this amount, because the railroads of the country are not paying operating expenses. I have in mind one railroad that owes a claim under the recapture of \$19,000,000. That road is now in the hands of receivers and is unable to pay State taxes.

Mr. MAPES. Mr. Chairman, I yield 20 minutes to the gentleman from Ohio [Mr. COOPER].

Mr. COOPER of Ohio. Mr. Chairman, I would like to make a general statement without interruption, if I may, after which I will be very glad to yield for any questions that may be asked.

Mr. Chairman, it is my desire to say a few words to the House respecting the condition of one of the Nation's greatest and most necessary industries—that of railroad transportation. The future of this country, and the welfare of its people, demand sound solutions for the difficulties which the railroads face. The situation calls for the fullest cooperation between the Federal and State Governments and their regulative authorities, backed by an informed and constructive public opinion.

In discussing railroad matters, the subject is often approached from the viewpoint of some particular group of citizens out of the many whose interests or problems are involved—the employees, for instance, or the security owners; the railroad managements; the shippers and receivers of freight; the mines, factories, and other industries whose markets depend upon rail transportation and upon the maintenance of rates which will move the traffic; the employees and owners of these mines, mills, and other industries; the consumers of their output; the enterprises which produce railroad supplies and equipment and their employees and owners, and so on. The list is far from complete, but it is long enough to show that a full catalog of those who will be helped or injured by whatever helps or injures the railroads would include the entire population of the country and even involve the security of its industrial and social order.

It is evident also that these various classifications of interests which are affected by the railroad situation are in many cases overlapping; that is, the same individual may be, and often is, concerned in more ways than one. As a single example, thousands of holders of railroad stocks and bonds are also railroad employees or, in only too many cases, they are former employees living in the hope that better days in rail transportation will bring them back to the pay rolls.

Railroad employees today number about 1,000,000. That is, roughly, half as many as there were only a few years ago,

yet they are still an army despite the thinning of their ranks. Including families and other dependents, from five to six million citizens of the United States are being directly supported by railroad pay rolls even in these times of unparalleled shrinkage in traffic. In normal periods several million more persons, workers and their dependents, were supported by the pay rolls of the industries which produce fuel, other supplies, and equipment for the railroads.

The present predicament and the future outlook of all these people—the railroad workers and ex-workers and their dependents, and the workers and ex-workers in the railroad supply industries—constitute a national welfare problem to which only the situation and difficulties of the farm population are comparable.

I have the greatest sympathy for the farmer with his mortgage and tax problems and the collapse in the prices of everything that he can produce for sale. Yet I doubt whether the situation of the average distressed farmer is any more disheartening than that of thousands of former railroad employees who are today without jobs or means of support of any kind.

The railroad man without a job has nothing but his savings, if any. He is nearly always a town or city dweller, and if you cut his wages you cut off his entire resources of existence.

What has become of the million or so of railroad workers who, through no fault of their own or of the railroad managements, have lost their places in recent years? Some have found employment of a sort in other work, but practically always at reduced living standards and in only too many cases for pay at or close to the line of bare subsistence. Many thousands have been and are entirely idle who are charges upon relations, friends, or the public.

Of the approximately 1,000,000 still at work, it can only be said that literally thousands live in the daily dread that their turn will come next. How precarious the situation has become for great numbers may be judged from the fact that on some of the largest railroad systems, where seniority agreements are in effect with the employees, it is necessary in many important departments to have more than 30 years' service in order to remain on the pay rolls. Numerous instances have been recorded where, under the strictest interpretation of seniority rights affecting a given group of employees, men with even 40 or more years of service have been laid off because they stood at the bottom of the roster of those who were left.

I mention these matters not because I expect Congress to legislate railroad men back into their jobs, or because I think railroad men have any claim to preferred consideration over other workers who have devoted their lives to other essential industries, but because I think it is essential that Congress and the public in rightful concern over the plight of the farmer should not lose sight of the situation and problems of railroad and railroad-supply workers and their dependents. Their problem should be as much a matter of national concern as that of the farmers.

Let us now turn from the employees of the railroads, to the owners of these great properties, which have been dedicated, and are essential to the public service. Let us consider their stock and bondholders, and who they may be. In theory, a bondholder of a railroad is a kind of secured creditor, one who has advanced capital upon the security of some form of mortgage or pledge. In practice, especially under existing circumstances, the bondholder is really only a preferred class of owner, and we may consider his situation, and that of the stockholder, as one problem.

According to the accepted estimates there are in round figures, 1,000,000 holders of railroad bonds, and 800,000 holders of railroad stock. Those who seek to make political capital out of assailing any and every form of accumulated property, particularly when in corporate form, make a common practice of referring to railroad bond and stock holders as if they were, in large or major part, rich and powerful, individuals well able to look out for themselves. I am sure that even men who for their own ends, try to present such a picture, know that is not an accurate one.

The individual holder of railroad securities certainly has rights which should be properly respected and protected. To do so is one of the functions of government as much as in the case of any other form of rightfully owned property. But in the extent of the interests involved, the holdings of individuals are far overshadowed by the interests of the public as a whole, in the ownership of these securities by great institutions, formed to protect and promote, the public welfare. For instance, life insurance companies and mutual savings banks hold more than \$5,000,000,000 in railroad securities, or about a quarter of all outstanding stocks and bonds of all the railroad companies in the United States put together. These securities form an important part of the investments which are the security behind more than 50,000,000 insurance policies and 13,000,000 savings bank deposits.

On the very conservative estimate that at least half of these 50,000,000 insurance policies carry benefits to persons other than the policyholders themselves, we have, through this one source, not less than 75,000,000 of our people whose protection and welfare are directly dependent upon the financial soundness of railroad securities. And who can say how many persons there are whose future welfare is directly or indirectly dependent upon those savings-bank accounts which, in their turn, are in considerable part dependent for their future worth upon railroad investments?

Besides the insurance companies and savings funds, nearly every bank, trust company, hospital, college, school of technical training, religious, charitable, and welfare institution has at least some of its funds, usually a substantial part, invested in the railroads.

The purpose of the bill now before us is to assist the railroads to help themselves, and is essentially experimental.

The mechanics of operation consists of regional coordinating committees, with whom a Federal officer called a "coordinator" will cooperate for a period of not more than 2 years. This coordinator is to divide the roads of the country into three general regions and maintain contacts with the roads of each region through committees of five members of each region. The committees are to be selected by the roads themselves, the right of selection being based on road mileage. Labor organizations are represented on the regional coordinating committees and are safeguarded in their rights of collective bargaining, and all the rights they now have under State and Federal laws are preserved to them.

Another section of the bill extends the jurisdiction of the Interstate Commerce Commission to the supervision of holding companies and authorizes the Commission to prohibit the voting of securities when such use of them would interfere with the expressed will of the Congress.

Another section of the bill provides for the repeal of the recapture clause of the Interstate Commerce Act, under which the railroads have incurred to the Government an estimated obligation of some \$300,000,000, and of which amount about \$10,000,000 has already been collected by the Government. The amount already collected would be returned to the roads and further obligations under this provision canceled. [Applause.]

Mr. Chairman, there are some things provided in this bill which I cannot accept as a general, permanent policy. It is a far-reaching, radical departure in the Federal supervision and operation of railroads. However, this is an emergency measure and may terminate at the end of 1 year. It is a part of President Roosevelt's emergency program.

Now, I have my doubts that either the general public, the railroads, or the employees will receive any material benefit from the provisions of title I of this bill. However, as I said a moment ago, this is a period of national economic crisis. I shall support the bill, and I hope that material benefits will be passed out through the passage of this bill to the general public, the railroad employees, and railroad managements.

Mr. Chairman, when I came into the House this afternoon I did not intend to make any reference to the question which I am now going to present to the House.

I have in my hand a publication printed in Washington. It is known as Labor. I believe it is the official spokesman for several of the railroad labor organizations. In the June 6 issue, in the right-hand column on the front page of this paper, which goes out to probably 90 percent of the railroad employees of this country, you will find these words:

House committee backs President; carriers to fight.

Then, in block it says:

RAIL "LOBBY" BUSY

Having lost in committee, the railroads' lobby is now preparing to carry to the floor of the House its fight against the labor provisions of the President's emergency railroad bill.

Word has gone out to have "company unions" in all sections of the country wire Congressmen that railroad workers do not want "protection." These messages will, of course, be paid for by the carriers which control the "dummy unions."

COOPER (Republican, Ohio) is expected to be the railroads' chief spokesman on the floor of the House. For almost 20 years he has faithfully served "Big Business."

Then, down in the column, it reads:

But not until the friends of the railroads on the committee, under the leadership of COOPER (Republican, Ohio) had made a determined effort to strike out the labor provisions. They seemed particularly anxious to save the "company unions."

I dislike very much to take any exception to that article printed in the paper. There are members of the Committee on Interstate and Foreign Commerce, which had charge of this bill, present on the floor at this time. During the consideration of our hearings, I challenge any member of the committee, and I also challenge the editor of this newspaper, to point to one thing in the hearings to indicate that Representative COOPER of Ohio ever fought for the company unions or made any statement that I was not going to support the labor provisions as presented by the labor organizations.

For some reason the editor of this paper seems to have a pick against me. He takes great delight in trying to crucify and eliminate from public life every man who does not follow him in his radical, socialistic ideas.

I remember when I first came to Congress in 1915—and I am now serving my nineteenth year in this Congress—I was a member of the same committee with Mr. Keating, the editor of this paper. It was the Committee on Labor of the House. The chairman of that committee was Hon. DAVID J. LEWIS, who is an honored Member of this body at this time. An important measure that was being considered by the committee during that session was known as "the Keating child labor law." Mr. Keating was the author of this bill. I helped put this bill together in committee. I voted to report it out, and when it was taken up on the floor of the House, the first speech I ever made in Congress was in behalf of the Keating child labor law.

Again, in 1916, when there was a threatened strike and tie-up of the railroad transportation systems of this country, at a time when the railroads were blocked and moving more traffic than they had ever moved in the history of our Nation, President Wilson sent for the Chairman of the Committee on Interstate and Foreign Commerce of the House, Mr. Adamson, and Mr. Claude Kitchin, Democratic leader, and proposed to them that they pass an emergency bill which was known as "the Adamson 8-hour labor law for railroad workers", in order to avert the strike which was to take place on Saturday night at 12 o'clock.

The CHAIRMAN. The time of the gentleman from Ohio [Mr. COOPER] has expired.

Mr. MAPES. I yield the gentleman 5 additional minutes.

Mr. COOPER of Ohio. After they had a conference with the President—I was in my office that evening and the telephone rang, and Mr. Claude Kitchin, Democratic floor leader, said to me, "COOPER, will you come over here? We want to see you."

Mr. Adamson's office was in the Capitol where the Rules Committee now is. They laid the proposition before me and stated, "The President wants the railroad 8-hour labor law passed in order to avert that strike. Will you help us?"

I said, "Of course I will." This was on Friday.

The bill was brought up Saturday morning under a special rule, and I stood almost single-handed on the Republican side of the House, as the CONGRESSIONAL RECORD will so show, and fought for the first 8-hour railroad labor law that the railroad workers ever had.

Again, when the Transportation Act of 1920 was reported to this House—and Mr. PARKER, who was a member of the committee at that time, will bear me out—there was inserted in that bill an antistrike provision which would prohibit railroad employees going on strike. Judge Webster, of Spokane, Wash., was the author of that provision. He is now a Federal judge. The older Members of this House know how I stood on this floor and fought that antistrike provision, and I think I had something to do with defeating that antistrike provision in the Transportation Act of 1920.

Again, when the present Railroad Labor Act was before our committee I helped put it together. I voted to report it out, and I stood on this floor and advocated its passage.

Mr. PARKER of New York. Will the gentleman yield?

Mr. COOPER of Ohio. I yield.

Mr. PARKER of New York. I wish to correct the gentleman. The gentleman reported the bill out himself.

Mr. COOPER of Ohio. Well, I was not going to say that.

Again, when the railroad employees wanted an increase of salary for the locomotive boiler inspectors of the Interstate Commerce Commission the representatives of railroad labor organizations came to me and said: "COOPER, you are the man who can get this bill through. Will you introduce it?" I said: "I will." I introduced the bill, it was approved by the committee, reported to the House, it passed this body, I interested myself in its consideration in the Senate, it finally became a law. Yet Mr. Keating publishes on the front page of the labor paper, which goes out to nearly every railroad worker in the country that Cooper is against them and that he is the tool of the big interests.

Let me say to him—and he knows it is the truth—if he will examine the records in the offices of the national representatives of railroad labor organizations he will find that out of 19 measures which they have advocated since I have been in Congress, that COOPER of Ohio is recorded as being favorable to labor on 17 of the 19, and on 1 of the other 2 they say I was 50 percent in favor of labor. Again the record at the American Federation of Labor office, shows my voting as 95 percent in favor of labor.

I regret very much that I had to bring this up, but I could not let that statement go unchallenged.

Why should I not be for labor? I know what it is to make my living by the sweat of my brow. At the age of 13 I went into the steel plants of my home city, in which I have lived all my life. In 1896 I secured a position as fireman on the Pennsylvania Railroad, was promoted to engineer in 1900, and stayed in the locomotive cab until I was elected to Congress in 1914. For more than 33 years now I have paid, and am doing so at the present time, my dues into one of the great labor organizations in the country, the Brotherhood of Locomotive Engineers. [Applause.]

My heart, soul, and sympathy have always gone out to labor. Oh, yes; there may have been times when there developed little differences in policy just like there was in the Howell-Barkley railroad labor bill. There was only one provision of that bill to which I was opposed, and that was the provision which set up Government boards and tribunals to be located here in the city of Washington, the members of which were to be paid large salaries out of the Federal Treasury.

I have a right to be with labor. As long as labor is right, and I think they are right, they are always going to find that I will be their friend in and out of Congress. [Applause.]

Mr. CHRISTIANSON. Mr. Chairman, will the gentleman yield?

Mr. COOPER of Ohio. I yield.

Mr. CHRISTIANSON. Do I understand that all of the amendments requested by the railroad labor executives have

been incorporated in the measure which we are considering now?

Mr. COOPER of Ohio. The amendments which are in this bill were those suggested and recommended and advocated by the railroad labor executives.

Mr. CHRISTIANSON. Did the railroad labor executives offer or suggest any amendments that were not incorporated in this legislation?

Mr. COOPER of Ohio. Not that I know of, except the amendments they put in the Senate bill were changed by the House committee with little modification, but not enough to make any material difference, and before the House committee accepted those amendments and placed them in the bill the representatives of all the railroad labor organizations approved them. [Applause.]

Mr. Chairman, I yield back the balance of my time.

Mr. PARKER of New York. Mr. Chairman, I yield 15 minutes to the gentleman from Connecticut [Mr. MERRITT].

Mr. MERRITT. Mr. Chairman, the bill which we are now considering, like so many bills, has a good many things in it that most of us would approve and some things many of us would not approve.

I shall begin by saying that so far as title I of the bill is concerned, which is the one which seems to be the most controversial, that owing to an amendment, to which I shall refer, I doubt very much whether the bill will produce the benefits some of us hope, or the evils others fear. When you look at the title of the bill you will see it begins thus: "To relieve the existing national emergency in relation to interstate railroad transportation."

Now, what is this emergency? How is it best shown? Why, it is shown by the fact we all know, that many railroads today cannot earn enough to pay their operating expenses and their fixed charges. In other words, they are spending more than they are earning.

This bill in itself does not give the railroads any more power to effect economies than they now have. The Railroad Transportation Act of 1920 authorized certain consolidations throughout the country and set up the machinery with which they could be accomplished. I do not believe this bill adds anything to the 1920 act so far as consolidation goes.

The bill is the result of the difficulties which have come from this depression. It has made everybody appreciate that they must do their utmost to save where they can, to be more efficient, so that at the end they can have a little left of the money which they have taken in in the course of business.

The bill that came to the House committee presumably from the administration was truly a coordinating bill. It set forth the methods of putting into effect the title of the bill. In other words, to relieve the emergency. That bill, as you probably know, starts machinery for its operation by setting up a coordinator, and this coordinator divides the railroads into three sections—eastern, southern, and western. The object of these sections is the same as the function of the States as parts of the Union, to have the different sections of the country through committees consider questions peculiar to the different sections and to suggest where economies could be effected. If they cannot agree, the coordinator is to be called upon in an endeavor to compromise their objections, and he has a certain amount of authority. But I think you should know one other thing also, that the coordinator has no actual power to compel anybody to do anything. This is the fact, and even the things which he recommends and which he orders to be done are all subject to appeal to the Interstate Commerce Commission.

I think the committee ought to understand all these facts, and to understand that the bill, so far as these economies go, was intended merely to facilitate the agreement among the different interests.

Everybody who appeared before the House committee agreed that the present economy would come from combining services and in some cases reducing services. Therefore it reduces services and wages.

This very naturally was what principally interested the labor unions and their representatives, and they had before the committee their very able representative, who objected to this.

Before the House committee had taken any action in the matter, the Senate had injected their labor provisions, which practically froze the employment of today as the minimum, beyond which they were not allowed to go.

I have no animosity whatever toward labor unions or any other unions, but I think the labor unions in this case might, perhaps, have taken a broader view than they did of the questions that involved them. I think it is particularly necessary that this committee should take a broader view and appreciate that when we legislate, we should have the public service and the public good in general before us. I think you gentlemen will all agree that in the conduct of public business and private business that in the end no one is benefited by trying to prevent any business from being conducted in the most efficient and economical way that it can be conducted.

So I say, with reference to this labor provision, if the effect of it, as I believe it is, is practically to nullify the most important economies which can be effected now, or if the effect of the labor provision is to freeze the present labor cost, which is the principal cost, you will not see the railroads recovering and not see them able to reduce their rates or increase their efficiency in the public good as much as if this labor clause were omitted.

I believe that not only the general public but labor itself will be benefited by the efficiency of the railroads. I think if the railroads are permitted to decrease their rates and increase their business it will give such an impetus to the general business of the country that very soon the demands on the railroads will be so great that not only the men who may be let go temporarily will be taken back but many others will be reemployed, and when they are taken back they will then be in the employment of self-supporting concerns and their employment will be on a better basis and will be more secure than if you temporarily try to force the railroads into a prosperity which will soon subside.

I think, therefore, that the labor provision of section 1 is a mistake. I do not think it will redound to the benefit of the public in general or to the members of the labor unions themselves. Let me read to you the section that was originally proposed. This is the section that came to us from the administration, which was stricken out, and which I think should be left in the bill:

Sec. 7. The coordinator shall provide means whereby such central committees as may be selected by and represent railway labor organizations in each of the groups shall be advised of any contemplated orders requiring changes in service or operation which will affect the interests of the employees, and he shall confer freely with such committees before issuing any such order.

This provision was upon the theory that the committees and the coordinator are human beings and have human sympathies and would look out to the best of their ability for the interests of labor, and it appears to me that this is all that could be expected.

Mr. MARTIN of Colorado. I should like to interrupt the gentleman there. I would suggest to the gentleman that a lot of us supported the economy bill on that theory.

Mr. MERRITT. That is true.

Mr. MARTIN of Colorado. And it does not appear to be working out that way.

Mr. MERRITT. I think it is verging around in that direction.

Mr. CHRISTIANSON. Will the gentleman yield?

Mr. MERRITT. Yes.

Mr. CHRISTIANSON. Does the gentleman from Connecticut believe that it would be good economics to write into this measure provisions which would deprive 150,000 railroad men of their jobs during this period of unemployment, when we are spending \$3,300,000,000 of public money to give other unemployed jobs and \$500,000,000 for reforestation, having also for its purpose the giving of jobs?

Mr. MERRITT. I think every industry should stand on its own bottom and I do not think that the railroads or

any other industry should be compelled to pay out more money than they have.

Mr. CHRISTIANSON. Does it not simply resolve itself into whether we shall authorize the railroads of this country to levy a higher tax upon the people in the form of higher rates for freight transportation or whether we shall levy a higher tax upon the people in the form of Federal taxes to accomplish the same result, but in an inferior way?

Mr. MERRITT. I should say in answer to the gentleman that the difficulty about levying a higher tax in the way of higher rates is that you get the same result you get in levying higher income taxes—you do not get as much as you did before.

Mr. CHRISTIANSON. I think that would be true, especially of levying higher taxes, perhaps, and, therefore, we should defeat our own purpose if we passed legislation here that would deprive 150,000 men of their present jobs in order, presumably, that 150,000 or any other number of men might get other jobs in the erection of public works and in the prosecution of our project of reforestation.

Mr. MERRITT. Of course, the gentleman forgets that, under existing circumstances the public or someone else has got to supply the railroads with the money to pay these 150,000 men, because they cannot pay them out of their receipts.

Mr. CHRISTIANSON. But may we not just as well provide the money with which these men are hired in the form of a continuance of present freight rates as to reduce freight rates and dig down into our own pockets for more tax money?

Mr. MERRITT. The gentleman, it seems to me, is resting his statement on a fallacy, because the present freight rates do not produce enough money to pay the men.

If the railroads could do that on a self-supporting basis, the gentleman may be right.

Mr. CHRISTIANSON. I am quite positive that if the capitalization of the railroads was scaled down to a reasonable basis the railroads would earn enough money at the present rates.

Mr. MERRITT. I disagree with the gentleman about that.

Now, on the labor question I want merely to complete the story, which shows where the standard unions were short-sighted, because they provide in the Senate bill particularly that these regional committees should consult only with the representatives of what they call the standard unions.

[Here the gavel fell.]

Mr. PARKER of New York. I yield the gentleman 5 minutes more.

Mr. MERRITT. They provide that the regional committees should consult only with the representatives of the standard union. It has been shown here today and in the testimony before the committee that the standard unions contain only slightly more than 50 percent of the employees. The House bill is written in the interest of fairness, so that the standard unions can be represented as well as other unions.

What I am trying to emphasize is not to show up any union, standard or otherwise, but trying to emphasize the solidarity of all employees in times like this.

I sympathize as much as anybody else with the railroad employees, but they first ought to help the railroads into good working order so that they themselves will be more secure in their employment.

My belief is that the diminution of labor will be very slight. Anyway, I hope and believe that all those who may be let out will be soon employed and many more. I hope that all the measures inaugurated by the President will do all that he claims for them. I think if they do the burden of taxation referred to by the gentleman from Minnesota will be easier and more cheerfully borne, and that we can all come together and everybody enjoy abounding prosperity. [Applause.]

Mr. RAYBURN. Mr. Chairman, I yield 10 minutes to the gentleman from Connecticut [Mr. MALONEY].

Mr. MALONEY of Connecticut. Mr. Chairman and members of the Committee, I was a little bit hesitant about taking any of the limited time to speak on this particular measure until this afternoon, when it became apparent that there might be some attempt made later on to destroy or remove some of the features of this bill. That prompted me to add my humble effort to the effort and able address of the chairman of this committee and the efforts of other members who have spoken on the subject of the bill.

I believe in fairness; I believe in fairness for the railroads, to the railroad employees, and to the members of this committee. So, without much hope that I add anything to these able statements of the gentleman in question, I want to make a contribution toward correcting a false impression.

I have a seat in the committee next to the very able and distinguished gentleman from Ohio, and insofar as I know of the affairs of that committee, I have gathered from my brief association with him that he has always been in favor of the things that labor favored, and particularly insofar as this bill is concerned.

So I hope for his sake, and for the sake of fairness, that no false impression will go out to the country as the result of today's newspaper story, which I am very certain was printed in error rather than with the slightest degree of malice.

I believe as well in fairness for the railroads, because I know, as every Member of this House knows, that the employees of the railroads cannot be successful, and cannot have work for long, unless the railroads themselves are successful. For this reason, I am very hopeful that there will be no attempt to tamper with that part of the bill which arranges for the repeal of the recapture clause. I am in favor of the retention of this feature of the bill, and as a matter of fact the passage of the bill at once, because the railroads are now entitled to this repeal. We have not collected the money. I seriously doubt if we can collect the money. The railroads probably have not got it, if we could legally collect it, and I think that in the first place it was a mistake. Part of the reason why I want to see this money returned is because I think it will not only react to the benefit of railroads, and railroad bondholders and stockholders, but to labor itself, and insofar as I know, labor is concerned with the passage of the bill with this included.

My principal concern at the moment, and the particular reason why I am prompted to talk on the bill just now, is the suggestion made today that there will be some attempt later on this week, tomorrow in fact, to remove from the bill, or to destroy the effectiveness of, those sections which are designed to freeze and protect labor. I am aware this measure has its imperfections, and I know that I made little contribution to the creation or the building up of the bill. If I had my way, I would protect labor differently. I would go all the way. I would save the confusion and misunderstanding, and I would enact some such legislation as was proposed in this body by the able leader and Chairman of the Committee on Labor.

Throughout the hearings on this bill I endeavored to bring out, by brief inquiry, whether or not labor or those other people interested would be concerned with an inclusion in the bill of an amendment which would have provided a governmental regulation of working hours for railroad employees. I thought at that time that before this session of Congress was over we would have enacted laws regulating the hours of labor, and I felt that the railroads should make their contribution to the general welfare and the common good. But it appeared during the hearings of the committee that the railroad employees' representatives, and the others who would and should be concerned, preferred to let that matter take care of itself in other proposed legislation. In view of the fact that that is out, and because the employees themselves declared that they were satisfied with the provisions involving their work, I am very hopeful that no attempt will be made to throw from the ranks of railroad employees more men into the fires of unemployment.

I come from a railroad State, and mine is a railroad district, and I am concerned with the success and welfare of that

railroad, as I am with that of other railroads. Incidentally, mine is an insurance State also, and I know about the millions and millions of dollars' worth of bonds held by insurance companies. I know as well of the interest that the stockholders of those companies, and the policyholders as well, have in the welfare of the railroads. But with all of that in mind, I came down here with a full appreciation of the fact that the paramount subject before this Congress and the country was the problem of unemployment. I cannot believe that the Members of this House, in connection with this legislation, are going to add to the troubles and torment of the people by doing anything with this bill, regardless of what imperfections it may have, that will release from employment any of the few men who remain actively on the pay rolls of the railroads. This bill does nothing for labor. The bill does nothing for the employees of the railroads. It freezes the situation at its lowest ebb. In my opinion, we are on the way out, and from now on we will see better times. Why tamper with the last remnants of a group that can help to weld these transportation companies into a better condition and thus point to a brighter day for them?

I do not think I add much to this debate, but I could not let the time go by during which it appeared necessary to say these few words for labor. I do not know how much the bill does for the railroads beyond the repeal of the recapture clause but I do know that that does give them millions upon millions of dollars which the Government has claimed up to now. I do know that it does permit economies under the bill. I do know that after the enactment of the bill—and this is where labor is denied—there can be a curtailment of labor with improved business conditions. So do not think that you are stepping beyond the proper boundary, or any boundary, in behalf of labor when you vote for this bill. You are freezing labor at its lowest point and instead of doing something for them you are only denying anyone a chance to do something against them. I hope when this bill is considered under the 5-minute rule that every man, before he offers an amendment, or votes for one that will change the bill, will give serious thought to the fact that up to now everything that we have done in this Congress has been in the direction of reemployment, and with the prayer and the hope that we would put men back to work.

In what is perhaps the last important bill before the House during this session, the last administration measure—and I understand the President is satisfied with this bill as it is—let us preserve the honesty of our purpose. Let us not go out of here at this late date with one single stain against the honest effort we have made. [Applause.]

The CHAIRMAN. The time of the gentleman from Connecticut [Mr. MALONEY] has expired.

Mr. PARKER of New York. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. FOCHT].

Mr. FOCHT. Mr. Chairman, it seems to be an open season for violent attacks upon the judiciary as well as upon Members of Congress. I am much surprised to find in the newspaper *Labor*, printed in Washington, what has been said about the gentleman from Ohio [Mr. COOPER]. I will have something further to say about him later.

I happen to come from a State and a district which is traversed by several of the great railroads of the country, and I have been here when many labor questions were under discussion. As we all recall, the first suggestion of reduced hours of labor was made by General Grant in a message to Congress in 1868. From that time on progressive steps have been taken in the interest of labor. There was almost a tragic scene during one of the sessions of Congress when the Adamson bill was passed. It was at an hour when a general strike was threatened throughout the country unless what was known as "the full crew bill" was enacted, and, of course, the railroads thought it was a bluff. I do not know whether it was or not. The bluff was not called. Consequently, we do not know whether they would have had a general strike or not.

However, in my State we have a situation that is quite different than in most communities. In fact, it seems that

everywhere, instead of settling differences between capital and labor today in the old primitive way of getting results with the knife, they do it over the counsel table. I was a member of the State senate in Pennsylvania at the time the Pennsylvania Railroad conducted one of those meetings with their employees. On many occasions we had controversial questions with the railroads, but they were all amicably settled. I think if we would allow the railroaders themselves, with their developed understanding of economic questions, with the high intelligence that you find among the railroad trainmen and engineers and others, to settle their differences, they would be able to handle the matter entirely satisfactory to everybody.

Socrates said, "All men will do right if they know what right is." So, railroaders and officials work out the question of right over the counsel table instead of settling matters by strikes and lockouts, as they once did.

Now, before my time expires, I want to say something about my friend from Ohio, Mr. COOPER. I served 9 years on this floor with my friend COOPER. I have had fine social contact with COOPER. We always thought Keating was for labor, too, but Keating attacks COOPER, and I say he does it unjustly, because I have known COOPER all these years. One thing I knew about him was his consistent support of all labor measures. In fact, he was regarded here as our leader, and many times I have gone to him for counsel in regard to the right thing to do in the adjustment of labor matters. Labor men have always realized that legislation is a compromise. Consequently they have asked for the full measure, never less, and sometimes they have made concessions. But, as I say, I feel, as one who has known COOPER as long as I have, while he needs no defense, yet this paper goes abroad, and as one Member of Congress who has served with him, I want to add my tribute to his service, and I may further say that not only is he an able and capable labor leader and a consistent one but a thorough gentleman besides. [Applause.]

[Here the gavel fell.]

Mr. RAYBURN. I yield 5 minutes to the gentleman from Indiana [Mr. GRISWOLD].

Mr. GRISWOLD. Mr. Chairman, in the first place, I want to compliment the members of the committee on this legislation. It is not all that I desire. It may not be all that you desire, but some 15 years and more of active connection with the railroads of this country has taught me the vastness of the problems the committee was working with and the almost impossible task that they had.

Whether this law is a good law or a bad law remains to be seen. The only way we can tell whether a law is good or bad is whether it lives and works. If it lives and works, it is good. If this law lives and works, it will be good. We cannot tell until we try it.

I think personally that as far as employees are concerned and as far as employers are concerned, there is only one thing we should be interested in when we deal with the making of laws for the transportation systems of this country, and that is the interest of the public. The employee and employer should only be legislated for in relation to the interest of the general public and as a part of that public.

There are two sections in this bill that cause me to support it, not because of the employer or the employee, but because of the good it may do for the public. One section is subsection (d) of section 7, which provides that in the case of the removal of terminals, the property loss of employees will be taken care of, not because of the benefit it will be to the employee but because of the benefit it will be to thousands of communities throughout this United States. If you will go anywhere through the Central West, where hundreds of terminals have been abolished in the last year, you will see what a tragedy it is to those towns. Men who have put in their time on these railroads for years and invested their life savings in property, are required to move with the terminal, and their property loss is a loss to the community, adding to the already depressed condition of those communities. My regret is that there is not

some way to make this law retroactive so that we could go back a year and make good the losses on the terminals that have already been moved.

The other is that section of the bill that rewrites the law in regard to the making of freight and passenger rates. Under the old law we put a premium on the expenditure of money for useless purposes by the railroads. There is no question about that. There is no question that they took into consideration capital expenditures and spent money freely for things they did not need and for which they had no use, for the very purpose of raising freight rates. We have eliminated that. Under this bill freight rates will be based on a fair and reasonable basis, taking into consideration the good of the service to the public, and that is a thing we have never considered; it is a thing we do not consider in the elimination of these terminals today.

The Clover Leaf Railroad eliminated through one section of Indiana four trains that have served that country for years. If freight rates are based on service to the public, maybe we can change some of these conditions.

I do not like some of the provisions in this bill. Personally I do not feel favorable toward the elimination of the recapture clause. I do not feel favorable to a bill that does not provide some method of preventing further borrowings by the railroads of this country.

Three hundred and thirty-five million dollars of the people's money has been borrowed from the Reconstruction Finance Corporation that will never be repaid. The railroads are now in default. Many of them have not even paid the interest on money borrowed from the Interstate Commerce Commission. They have issued billions in bonds and stock that they will never redeem but that under the old law they used as a basis for increasing freight rates. Rates are now so high that the shipper cannot afford to transport his goods by rail.

This bill is far from being the perfect bill. It only eliminates some evils. It is better than we have at present. It is an improvement. Perhaps next session we can improve it more. It is at least a new departure in railroad legislation. It considers to some degree the human element.

I do not like the provision by which we "freeze" railroad labor at the stage of May 1933. Eight hundred thousand railroad men are now unemployed. I fear that many of them will never return to work. But under the law now in force we have no assurance that the list of employees will not be cut even further. This new law would prevent those additional cuts.

I think the proper method would have been to take the average of the number of unemployed over a period of years and to have set the minimum of unemployment at that figure. After all, nearly every act passed at this session has had as its object the returning of men to employment. We should show consideration for returning railroad employees as well as others. But I understand that this section and the fixing of the number for the month of May is a compromise and that it is approved and accepted by the representatives of railroad labor.

I hope that on tomorrow, after the Members of the House have offered their amendments, that this bill will be even better than now. I shall vote for it on final passage, not because it is perfect, but because, from the standpoint of the public and from the human standpoint, it is an improvement over the present law. [Applause.]

[Here the gavel fell.]

Mr. PARKER of New York. Mr. Chairman, I yield 5 minutes to the gentleman from Minnesota [Mr. SHOEMAKER].

Mr. SHOEMAKER. Mr. Chairman, this is not the first time the question of the unification of railways has been up for consideration in this body nor will it be the last. The earliest railroad regulation to come before Congress included the problem of dealing with railroad mergers, and unquestionably the last legislation before we ultimately see the wisdom of governmental ownership and operation of the roads will have to do with consolidation of railway facilities.

I desire, therefore, to make clear what I consider to be the fundamental issues involved in this whole question and

to place on record the facts which compel me to take the position I hold in reference to the problem.

As I have said, there have been many discussions of this question in Congress, but never before has there been an opportunity for us to see at one time the purpose and the effect of the movement for railroad consolidation brought together by congressional investigation. The newspapers of today are carrying the story of what is perhaps the outstanding movement for railroad consolidation in recent history, and the Seante investigation is showing that that great merger, brought about ostensibly under the leadership of the Van Sweringen brothers, brought millions of dollars of profit to the banking firm of J. P. Morgan & Co. and their favored friends and customers. Before the House and Senate Interstate Commerce Committees representatives of railway labor have revealed in detail, perhaps for the first time in such a way, the fact that railway unification and consolidation have brought unemployment, heavy property losses, and sometimes total destitution to the men whose loyal services have made possible the efficient transportation system so vital to the industries of our country. This contrast shows at once the motive for railway consolidation in previous years, and the terrible effects which have followed the carrying out of the unifications proposed. The great financial houses of the East have merged and unified and consolidated the railway systems with little concern for the communities and the employees injured. To the bankers have gone the profits, and to the people have gone the staggering losses involved in these changes.

It is time that we put a stop to that process. It is time that the Government of the United States intervene in this orgy of banker-dominated reorganizations and protect the rights and the property of the masses of the people affected by such changes.

Only a detailed study of the results of railway unifications can show the misery which they have brought, and potentially may bring, to railway workers and to communities dependent upon railway operations. During the hearings upon this bill, and in their efforts to bring about the amendments which have been added to the bill as now presented, the standard railway labor organizations have earned the gratitude of this body and of the Nation for their clear demonstration of the dangers inherent in the uncontrolled reorganization first proposed.

At the present time the laws regulating the railroads not only permit but they actually encourage railway consolidations. The inadequacy of the existing laws and their unfairness to the railway employees and to the public interest have been clearly shown by the railway labor organizations. Under these laws the Great Northern and Northern Pacific Railway Cos. applied to the Interstate Commerce Commission for permission to merge their properties under a single ownership. In spite of the opposition of State and local authorities, in spite of the opposition of shippers and other railroad companies, and in complete disregard of the interests of the railway employees affected, the Commission approved that merger with but slight reservation relative to the financial connections of the proposed new railway corporation. That was done under the law as it now stands; a consideration of the effects of that proposed merger will show how sadly railway legislation is in need of revision.

The two railway companies asking for that merger represented to the Interstate Commerce Commission that it would result in savings of approximately \$10,000,000 per year. Elaborate tables were presented, giving in detail what the companies thought would result. The grand summary of these savings was as follows:

Estimate of savings to result from Great Northern-Northern Pacific unification

(From pp. 47 and 48 of I.C.C. Finance Docket No. 6409)

Change proposed:	Expected annual saving
Rerouting of traffic by shorter lines.....	\$1,536,328
Use of Rosebud coal on Great Northern between Casselton, N.Dak., and Spokane, Wash.....	2,282,157

Estimate of savings to result from Great Northern-Northern Pacific unification—Continued

Change proposed—Continued.	Expected annual
Diversion of passenger trains from Prairie to Port Defiance line (one example of possible savings in routing passenger trains).....	\$27,300
Transportation of ballast (one example of possible savings in hauling material).....	20,409
Hauling treated ties between Spokane and Ellensburg, Wash.....	6,950
Treating ties in Minnesota.....	95,000
Unification of facilities at Breckenridge, Minn., and Wahpeton, N.Dak.....	19,945
Proposed changes at head of lakes and Hinckley and Sandstone, Minn.....	548,302
Proposed changes at Sand Point, Idaho, and Spokane, Wash.....	300,547
Rerouting freight at Auburn yard, Wash.....	81,480
Unification of facilities at the Twin Cities.....	705,320
Unification of facilities at points on the Dakota division.....	366,968
Unification of facilities at 10 common points, St. Cloud, Minn., to Butte, Mont., inclusive.....	196,516
Unification of facilities at Seattle, Tacoma, Portland, etc., including rearrangement of train service.....	868,779
Rearrangement of shops.....	536,403
Accounting economies.....	669,399
Purchasing and stores departments.....	1,063,571
Traffic expenses.....	817,437
Total.....	10,142,811

On the surface of it, this would seem to be a very attractive proposal. The railways are to save \$10,000,000 per year in operating costs, and while there is no promise that that money is in any way to be returned to shippers, nevertheless it seems desirable to save \$10,000,000 if it can be done.

But when these savings are analyzed, as the railway employees have analyzed them, we can see very plainly where the railway companies are going to get that ten million. Four typical items in this long list of savings have been taken apart; the analysis shows that more than 90 percent of the money to be saved is to come from reduced pay roll. By that one unification alone, 4,000 workers would be turned adrift. The corporations controlling the Great Northern and Northern Pacific Railways would profit by \$10,000,000 per year, and the employees would lose directly almost the whole of that amount.

In that connection, it is of interest to note that probably the largest stockholder to be affected by the proposed savings is one Arthur Curtis James, whose name has been conspicuous on the lists of favored friends of the House of Morgan, revealed by the Senate investigation. So this great economy move, fostered by legislation passed in this House, and approved in its essentials by the Interstate Commerce Commission, would have taken these millions of dollars from the railway employees of the Northwest and have given them to the stockholders and bondholders of the railways, much of it ultimately to have found its way into the hands of Eastern financial interests.

What was to become of the railway workers thrown onto the streets by this change? Neither the railway companies nor the Interstate Commerce Commission seemed to be greatly concerned about that factor. That was perhaps considered irrelevant. The sufferings of those men and women and their families was as nothing compared with the desirability of adding to the already excessive incomes of the financial giants behind the railway consolidations.

But the concern for the financial elements did not neglect details. I wish to offer here one of the detailed statements presented by the railway companies in support of their petition. The little town of Barnesville, Minn., was a division point on the Great Northern Railway until 1928. The merger plans as contained in the brief submitted by the railroads to the Interstate Commerce Commission called for the abandonment of the railway facilities at Barnesville, and the elimination at that one small town of 60 railway employees. The companies were going to save by the discharge of those men, approximately \$100,000; altogether, they were

planning to reduce costs by \$115,000 per year through abandoning the town of Barnesville. In the list of savings to be made I find prominently mentioned an oil house, which is to be salvaged; a sandhouse, an icehouse, and a car repairer's house. The material to be saved from these houses would have a total value of \$145. The railroad attorneys calculated the savings at 6 percent on the salvage value of the material, and that item appears within the total of \$10,000,000 the corporations hoped to realize out of the merger. Six percent on the value of those houses is \$8.70 per year; but it was not overlooked in the total of savings.

Because of their opposition to the financial condition attached to the Interstate Commerce Commission's order, and because of the vigorous opposition of the people of the Northwest, the railways delayed their merger; it is not yet consummated. But the Great Northern Railway proceeded, nevertheless, with the abandonment of the facilities located at Barnesville. Today, instead of 60 men at Barnesville, there are 2 in the employ of the railway. All of the others have been discharged or transferred. The railway workers, in their statement to the committee, showed the effect upon those railway men and upon the town of Barnesville.

Most of the railway workers at Barnesville had owned their homes. The value of these homes, according to the Barnesville assessor, was \$156,411 in 1926. But with the removal of the railway facilities, the workers could no longer use those homes; the town became only a typical small farming community. There was no need for the number of residences that had been built there, and the value of the homes owned by these railway men was practically nothing.

It is impossible to exaggerate the tragedy involved in this change. Railway men of 20, 30, and even greater years' service had been employed at Barnesville. Into their homes had gone practically all of their savings. It was their calculation, and a natural one, that in their old age they would be able to live in those homes, drawing the meager pension to which they would be entitled, and able to keep themselves at least from the streets. A home, by the teachings and preachings of American industrial and political leaders, is a sacred thing; every workman should own his home, and that should be the rock upon which our civilization is built. Many such maxims have been preached to American workers, and many millions of them have bought or built homes in agreement with that philosophy.

But at Barnesville today there is a powerful object lesson in the validity of the idea that the home is sacred to the Government of this Nation. On every street are empty houses which once were the homes of railway workers. Roofs and porches sagging, windows boarded up, yards once trim are now overgrown with weeds. Where are the workers and their families? Scattered throughout the Northwest, those who are still employed possibly trying to begin all over again their painful task of saving enough to buy themselves a home for their old age.

In order to put side by side the treatment accorded to the property of the companies and their employees, I wish to present first the statement introduced by the railroads before the Interstate Commerce Commission, and afterward a list of the homes formerly owned by railway men employed at Barnesville.

Railway calculation of savings at Barnesville, Minn.

	Yearly maintenance	Salvage value
Maintenance saving and material salvage: Yard tracks to be recovered at Barnesville, 64,350 track-feet (12.19 miles).....	\$9,752	\$52,328
Great Northern buildings to be released at Barnesville:		
Machinery and boilers.....		7,500
1 roundhouse.....	1,200	
1 turntable.....	225	1,000
1 oil house.....	75	
1 sand house.....	35	
1 ice house.....	40	100
1 car repairer's house.....	25	200
Total.....	1,600	8,800
Total salvage.....		61,133

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Railway calculation of savings at Barnesville, Minn.—Continued

	Yearly maintenance	Salvage value
Cost of necessary incidental changes:		
Additions and betterments:		
Cost of connections between Northern Pacific eastward track and Great Northern, Breckenridge, and Barnesville lines at Moorhead.....	\$27,934	
Cost of 2 tracks (400 feet and 340 feet) to serve 2-stall enginehouse.....	1,921	
Cost of 2 crossovers west end of yard.....	2,504	
Cost of wye track at Barnesville (1,865 feet).....	8,175	
Total cost of additions and betterments.....	40,534	
Operating expenses:		
Incidental changes for Moorhead connections.....	615	
Incidental changes for converting storehouse to engine house.....	845	
Removing 64,350 feet track (12.19 miles).....	6,100	
Total operating expense.....	7,560	
Grand total.....		\$48,094
Net credit.....		13,039
Labor and supply savings:		
Wages, Barnesville terminal, 55 employees.....	90,330	
Switch engine, 335 days, at \$50 per day.....	16,750	
Total.....	107,080	
Roundhouse expense:		
Water, telephone, supplies.....	1,720	
Lights.....	1,560	
Coal, 1,680 tons, at \$4.....	6,720	
Total roundhouse expense.....	10,000	
Total savings.....		117,080
Additional force required:		
Great Northern at Grand Forks, 9 employees.....	12,964	
Great Northern at Barnesville, 3 employees.....	3,276	
Total additional wage.....		16,240
Net annual saving (labor and supplies).....		100,840
SUMMARY OF SAVINGS AT BARNESVILLE, MINN.		
Annual savings:		
Maintenance of buildings.....	1,600	
Maintenance of 12.19 miles of track, at \$800.....	9,752	
Light, heat, water, supplies, etc.....	10,000	
Wages.....	90,330	
Switch-engine service.....	16,750	
Interest on net credit material at 6 percent.....	782	
Total savings.....		\$129,214
Additional annual expenses:		
Additional force required.....	16,240	
Maintenance of new trackage, 7,735 feet, at \$1,200.....	1,750	
Total additional expenses.....		17,990
Net annual savings.....		111,224

¹ The cost of switch-engine service on the Great Northern and Northern Pacific Railways is figured by the managements to be approximately \$57.85 per day. For the purpose of this computation they have taken \$50 as a round number of this cost. Of the \$57.85, \$33.57 was direct labor cost and \$2 or \$3 additional indirect labor cost was incurred. About 9/10 of the switch-engine cost, therefore, is labor cost.

Railway workers paying taxes in Barnesville, Minn., and value of property

[NOTE.—The figures given below were furnished by Mr. R. C. Morben, village assessor. They are for the year 1926, the year when the Great Northern-Pacific merger data were compiled. The tax rate that year was 7.17 mills in Barnesville; the practice was to appraise the property at about 50 percent of its cost and then to levy the tax on 40 percent of the valuation. The basis for taxation was changed somewhat since then, but its effect would be little, if any, on the figures given below.]

Name	Occupation	Value of property
Fred Tennyson.....	Switchman.....	\$4,184
John Gallagher.....	do.....	5,344
Henry McComb.....	Roundhouse foreman.....	6,871
Paul Morben.....	Yard clerk.....	2,508
H. Rushfelt.....	Engineer.....	4,363
J. A. Hendry.....	do.....	4,036
John Hill.....	do.....	10,485
Iver Scogan.....	do.....	4,068
R. A. Edblom.....	Machinist.....	4,395
J. F. Varney.....	Engineer.....	6,544
Alex Pender.....	Car foreman.....	6,685
John Kline.....	Laborer.....	2,290
Frank Reish.....	do.....	1,636
V. E. Howlett.....	Clerk.....	3,381
J. R. Mutchler.....	Engineer.....	6,238
Nels Varney.....	Fireman.....	1,994
S. B. Zook.....	Boilermaker.....	2,945
August Johnson.....	Roundhouse.....	2,835
Stephen Kells.....	Fireman.....	1,526

Railway workers paying taxes in Barnesville, Minn., and value of property—Continued

Name	Occupation	Value of property
R. M. Tranton	Roundhouse	\$1,527
Frederick Hasse	Janitor	2,944
John Severson	Roundhouse	4,363
John Olsen	Water pump	3,108
Albert Tomchlem	Roundhouse	3,054
Pat O'Rourke	Section hand	1,964
Max Peppel	Roundhouse	1,743
Frank Dahm	do	3,817
Wm. Lakie	Conductor	3,709
Wm. Prensks	do	3,054
John Cramer	Engineer	3,273
F. E. Greenough	do	5,230
Frank O'Gara	do	6,162
Ole Winstad	Section hand	2,727
John Wagner	Hostler	3,460
Meyer Gregory	do	2,000
Lewis J. King	Boilermaker	3,271
Levi Valley	do	655
Nick Smith	Conductor	5,367
Gus Knowles	Engineer	8,725
Chas. Miller	Car repairer	3,000
Total value of property		156,411

The reasoning involved in these railway balance sheets which they draw up before deciding upon any coordination or consolidation is simply that if the savings to be expected are greater than the incidental costs and losses the change will be undertaken. And in their calculation of the expected costs and savings they neglect not to enter 6 percent of the value of the material salvaged from the icehouse, the sandhouse, the oilhouse, and the car repairer's house owned by the railway company; but nowhere among their calculations is there any reference to the homes of those railway men—the \$156,000 of property taken from these men by the removal of the company from Barnesville.

This is by no means an unusual case. It is only one of thousands which can be found throughout the United States, especially in the Western States. The railways have been proceeding for years in ruthless disregard of the rights and necessities of their employees to make these "savings." Now, for the first time, there is an indication that the Government of the United States is awakening to the injustice done to railway workers, and it must be added that but for the determined efforts of the railway labor unions we would not even now be having an opportunity to curb these grave evils.

The people of the Northwest have been fighting for many years against the unification of the Northern Pacific and Great Northern Railways. It is a matter of the greatest importance to the State I represent. Yet, under the laws as they have existed, the merger is perfectly permissible, and there is every reason to believe that substantial unification of these properties would have been effected in the near future with the same indifference to public and employee interests as has characterized the past conduct of the managements of the railways concerned. Under the new measure, at least, the corporations will be compelled to include among their items of cost attendant upon any unification the same concern for the property of their employees as they have shown heretofore for the sand houses owned by the corporations.

In every industrial city in Minnesota, and I am certain it is true in every city in this country, former railway employees are now receiving aid from public and private charities. Many thousands of the 800,000 let out in the past few years are dependent upon such relief for their existence. But many other thousands are living with railway men still employed, dependent upon those still in the service for their support. In spite of this fact, the railway managements have gone ahead even during these years of depression to make every consolidation and merger they found possible, setting adrift every worker with whom they could possibly dispense. We have the spectacle of these gigantic corporations, affected with the public interest and the beneficiaries in a million ways of public assistance, throwing their employees out on the streets to get a livelihood in any way possible—or to starve. These corporations have passed the burden of caring for their employees on to the other work-

ers in the communities, or to the State and Federal Governments. And for what? To be able to continue their absolutely unjustifiable record of dividend and interest payments, to protect to the utmost the money claims of the security owners whose principal pastime for these many years has been to fatten their bank accounts by fantastic financial legerdemain in the railroad field.

Railway labor organizations have pointed out, and truly, that to increase unemployment now means to pile new burdens upon the community. The man employed today is caring not only for himself but directly and indirectly is providing for the unemployed. Rare indeed is the employed worker today who has not taken into his home some dependent of another worker. And the man who is not directly helping in that way is indirectly contributing, through community funds and through taxation, to take care of the destitute. It is vitally important therefore that we do nothing to increase unemployment, since every new man now put on the streets means not only that one without support but means also that his assistance to the unemployed must stop. We will find our relief problem multiplying as we add to the number out of work.

We have extended assistance by the millions of dollars to railways seeking funds for the payment of interest upon their bonds. At the same time, these railroads have been putting upon the Nation the cost of caring for their workers, the men who must be available when business revives to carry on the work of the roads. The employees presented a table, before the committee, showing just what the railroads have done in the city of Cincinnati. The relief agencies in that city are carrying over 1,000 railway employees. An analysis of part of the records shows them to be former employees of the following corporations:

<i>Railway workers receiving relief from associated charities of Cincinnati</i>	
Former employer:	Number receiving relief
Baltimore & Ohio	217
Cleveland, Cincinnati, Chicago & St. Louis	147
Pennsylvania	116
Louisville & Nashville	77
Southern	61
Chesapeake & Ohio	44
Norfolk & Western	23
Pullman	11
Railway Express Agency	3
Other railroads, or road not reported	39
Total	738
Total relief cost per month	\$16,725

This act, Mr. Chairman, comes before us as emergency legislation. There is an emergency in the transportation industry, an emergency in all industry. But the situation confronting us is by no means new. It is more critical; it demands immediate and drastic action; but it is not different in its fundamentals from the condition which has existed throughout the last 50 years of our history. Wealth in the saddle, property interests of the powerful dictating governmental and industrial policies, were not the product of the last decade. Even before the Minnesota farmers began their struggle, back in 1876, for railroad regulation, these corporations had begun their march to wealth and power over the wrecks they were making of their employees and of the communities they should have been serving. From the Northwest, in every instance, I am proud to say, has come the first and the most powerful protest against these policies. From the Northwest again, in this struggle to prevent the Great Northern and Northern Pacific unification, has come again the most determined opposition to corporate rapacity in this era of high finance.

The emergency which confronts us is not of today, nor of yesterday, nor will it be ended tomorrow. It is but one episode in the long struggle which goes on unendingly between those possessing the power and the greedy ambition to enrich themselves at the expense of the masses of the people. Today there are 13,000,000 men unemployed. That is our emergency. But it was not made by the stock-market crash of 1929. It was not made by any of the events since that date. Nor is it to be cured by an industrial recovery bill or an emergency transportation act. We, or

our successors, will be grappling with this same problem after business activity revives, as our predecessors struggled with it in the prosperous years before 1929. But unless we hold firmly to the principle that the welfare of the masses of the people must be the primary concern of the Government, and unless we reverse the policies which have characterized government by both of the old parties since the Civil War, we shall see again and again a repetition of this acute emergency, we shall see repeated investigations of money trusts, revealing the same sordid story of corruption and of tyranny in Wall Street, and our civilization must give place to one which enthrones rather than enslaves the farm and industrial workers of the Nation.

Mr. RAYBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Washington [Mr. LLOYD].

Mr. LLOYD. Mr. Chairman, in my judgment this is the most constructive piece of legislation that this House has been called upon to enact during this extra session of Congress. It is said—and, I believe, truthfully so—that one half of our cost of living today represents transportation charges, so that railroads and legislation pertaining to railroads becomes a vital matter to all of our people, and particularly is that true of those whom I represent.

I am passing for the moment any discussion regarding the labor features of this bill, and I am doing that because I have it from the words of those who represent labor at the Capital here in Washington that, with three minor exceptions, which may be corrected by amendments offered from the floor tomorrow under the rule, this bill as presented by the committee today is entirely satisfactory to labor and those who represent labor. I am happy that this is so, because in my judgment at a time like this, when we are trying to re-create the purchasing power of our people, it would be poor policy indeed to lay any additional burden upon the back of labor.

I particularly, then, desire to address myself to section 15a. In my opinion, if this bill had nothing else to commend it than this section, which is to be written into the law, it would be worthy of the most profound consideration by this House, and I congratulate the committee which drafted the bill and those who labored with the committee on what I conceive to be a step in the right direction; and if properly administered this section can be used as a vehicle to bring lower freight rates and, in turn thereby, prosperity not only to the railroad men and the railroads themselves but to all of our people.

In my country away out in the Northwest we are vitally interested in transportation, and in cheap transportation, and at the present time, under the rule of fixing rates used by the Interstate Commerce Commission, freight rates are not only too high but they are prohibitive, and the result is that not only is there stagnation in business but the railroads themselves by reason of a short-sighted policy are without business, and the railroad men of this Nation to the number of almost a million are out of employment.

About 3 years ago the lumber industry of this country made a complete survey of its market. The great lumber market of this country lies in the Middle West, in the agricultural States. Those who were engaged in the survey went almost from house to house. They went from village to village and from county to county. They found that over a period of approximately 6 years there had been constructed no buildings wherein lumber was used. They made an estimate of the amount of lumber it would take to bring that great agricultural section up to the pre-war state of repair, and their findings were that that one order of lumber alone would keep the mills of the Northwest running night and day for a period of 5 years at full capacity. Yet the mills are idle today. The railroads are carrying no lumber from the great Northwest to the Middle West; and I will tell you why. Parenthetically, may I say that, in my judgment, had section 15 (a) been enacted into law 15 years ago, the railroads would not have had to borrow money from the United States Government, nor would the insurance companies of the State of the gentleman who just spoke be

on the verge and brink of disaster today because they hold railroad bonds.

In this great transportation question there is a vital fact and that is that you cannot charge a rate beyond what the traffic will bear. I could instances almost innumerable, but let me give you the figures in regard to the lumber market alone.

I am told by those familiar with the transportation business that the railroads could haul 3 times the freight they are now hauling and 20 times the passengers they are now hauling at practically the same overhead, yet because we have not a fair freight rate, such as can be made under the provisions of this bill, the result is that the mills of the Northwest are idle, the people of the Middle West are unable to buy because the same lumber which we lay down in our yards at \$8 per thousand is taxed a freight tariff from Tacoma, Wash., the lumber producing center, to Des Moines, Iowa, the lumber using center, of \$22.44, or nearly three times the original cost of the lumber, and this rate is prohibitive.

I say that if this bill had nothing else to commend it but this section which provides, as should have been provided years ago, that the Commission shall give due consideration among other factors to the effect of rates on the movement of traffic, and to the need in the public interest, it would be well worthy of consideration by this House.

Pass this bill and adopt this as the basis for your rate-making structure and then insist that the Interstate Commerce Commission properly administer the law, get your freight rates down to a half or a third of what they are now, and you will find, in my humble opinion, that the railroads will be carrying not 3 times the freight they are now carrying, but 10 times that amount of freight; the lumber mills of the Northwest will be busy, the mines of the South and East will be operating, the farmers of the Middle West will be able to buy the products which they need at a price they can afford to pay, the laborers in your mills and mines will be earning a wage commensurate with their needs, the railroads will be operating upon a profitable basis at mass production and will be able to pay their debts and give employment to the railroad men who have been trained to railroad work. [Applause.]

[Here the gavel fell.]

Mr. PARKER of New York. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. WITHROW].

Mr. WITHROW. Mr. Chairman, these so-called "mergers, consolidations, and diversions of traffic" can have but one effect, and that is to increase further the number of unemployed, thereby curtailing the buying power of the public, which is the real reason for the continuance of the present adverse economic condition of our country.

No one who listened or read the testimony given before the Interstate and Foreign Commerce Committee of this House can question the assumption that a great many employees will be thrown out of employment by reason of the passage of this measure. At a time when our local, State, and National Governments are spending millions to supply work for the unemployed, we are today considering a proposal which will throw thousands more out of work. The fallacy of the policy embodied in this measure, unless the proper safeguards are placed about it, must be apparent to all of you.

Mr. PARKER of New York. Will the gentleman yield?

Mr. WITHROW. Yes.

Mr. PARKER of New York. How does the gentleman reach the conclusion that thousands of employees will be thrown out of employment under this bill?

Mr. WITHROW. I do not, under the bill as proposed by the committee, but I anticipate that at the time the bill is considered under the 5-minute rule there will be efforts made to strike out some of those recommendations.

Mr. PARKER of New York. I thought the gentleman referred to the provisions of the bill as proposed, and I wondered how he arrived at that conclusion.

Mr. WITHROW. The gentleman from New York being a member of the Committee on Interstate and Foreign Commerce, very well knows that the bill in its original form, undoubtedly, would have thrown a great many railroad employees out of employment. That is the one thing that everyone who testified before the Committee on Interstate and Foreign Commerce seemed to be agreed upon.

Mr. PARKER of New York. But we are not discussing that bill.

Mr. WITHROW. No; but I am discussing that subject because if these amendments were stricken out of the bill, that is exactly what would happen, and, mark my words, I believe an attempt will be made to strike those provisions out of the bill, and I do not want that to happen.

I realize that a reorganization of our national transportation facilities is at hand, but under the guise of a reorganization I am afraid irreparable damage will be done railroad employees and the public in general.

The property and general welfare of entire communities are threatened. The attempt to save several hundred million dollars may result in the loss to the public and railroad employees of several times that amount. The losses of homes to men who have given years of their lives to the service of the Nation's railroads; the losses to entire communities by the impairment of property values through the removal of terminals and the closing of shops with the resulting loss of purchasing power in the community and the further sacrifice of adequate transportation service, not to mention the loss in social values, bid fair to be too great a toll. Unless proper safeguards are placed about the consolidation it is bound to be a failure and prove to be "false economy."

Mr. D. B. Robertson has the following to say:

There is little enthusiasm among the practical railroad men for transforming a compact, efficient, localized railroad into a sprawling, unwieldy "transcontinental" system. An able railroad president or general manager can dominate the policies and operations of a few thousand miles. It is doubtful whether any one man, no matter how able, can oversee the operations of a system of 10,000 miles with maximum efficiency. Inevitably bureaucracy and red tape and internal discord will steadily increase with the size of an organization. Railroad is a human service. It calls for human control. To work smoothly the entire personnel of a railroad must understand and feel a human loyalty to the ultimate human director of the enterprise. Year in, year out, a good, small railroad will be more efficient and more profitable than any equally good, large railroad.

The late Sir. W. M. Ackworth, a noted British authority on railroad transportation and a close student of American railway problems, said:

"In the United States your great systems are already so large that they have probably secured all the economies which are due to large-scale production. Their equipment is standardized, their division points conveniently arranged, their shops established at suitable centers, and the members of their headquarters staffs have each of them as much as they can do."

RAILROAD EMPLOYMENT NOW AT LOW EBB

There are 50 percent less railroad employees now than were normally employed. Most of this reduction has been brought about because of the use of larger engines, larger cars, better roadbeds, modernized plant equipment, and the wholesale impairment of service to the public which has been the real cause of the rapid growth of bus and truck transportation. The public, because they were getting very little service from the railroad companies, were compelled to turn to busses and trucks for that service.

In addition to this 50-percent reduction in railroad personnel by reason of impairment of service and modernizing of plant equipment, which is considered an economy, the railroad employees have taken a voluntary 10-percent reduction in their wages, which has meant a saving to the railroad managements of more than \$200,000,000 annually. In addition to this 10-percent voluntary reduction, they have, through liberalizing their contracts with the several railway managements, sacrificed a great deal more. At present those employees holding regular jobs are working fewer hours and miles so that their fellow workers can be kept on the pay rolls. It would be conservative to say that the railroad employee now working has had his income cut at least 40 percent.

Today there are less than 1,000,000 railroad employees, while in 1920 there were more than 2,000,000, and the ratio of the fixed charges and dividends to pay rolls was 24.4 in 1920 whereas it has gone up to 50.8 in 1932. That is conclusive proof that the trouble with the railroads is not due to wages. It is my judgment that any program that fails to take this into consideration will fail. Railroad employees are willing to do their share in helping their country, whether it be in war time or peace time, but to ask them to do more at this time is to do them a grave and irreparable injustice.

This measure, if passed and enacted into law, could very well mean the canceling of more than 1,400 State laws which the several States have enacted into law only after long and deliberate consideration, having in mind the safety of the public as well as that of the employee. State full-crew laws, both freight and passenger, industrial switching laws, safety requirement provisions might be wiped out if the coordinator saw fit, unless the proper amendments are adopted.

RAILROADS CAN BE OPERATED AT A PROFIT

The railroad executives, being shrewd business men, are continually spreading the propaganda that their roads are operating at a loss. When this is questioned they produce volumes of statistics to prove their point. Most conspicuous among this data are the fixed charges of operation, which means the interest on indebtedness which deals with the very "delicate" subject of financing and refinancing the roads which has become so much of a specialty with most railroad executives at the expense of the railroads, the public, and the employee.

Nevertheless, viewing the railroad picture as a whole, we find this to be true: For the year of 1931, which was one of especially great distress among railroads, operating revenues and other incomes amounted to \$4,585,000,000; over this same period their taxes, operating expenses, and fixed charges were \$4,420,000,000, showing a net profit of \$165,000,000, which is far from being poverty-stricken. These figures were presented by the railroads in the National Wage Convention.

However, the President's committee reached all the carriers later, and they stated that the net profits for 1931, after fixed charges were deducted, would amount to only \$89,000,000, which, if we accept their own figures, which are certainly conservative, would be \$845,000,000 of fixed charges, with a total income of \$934,000,000 after taxes. This is substantially 5 percent of \$18,000,000,000, which was practically the net capital of the railroads. So in this year 1931, a bad year, they presented a return, after taxes, of 5 percent of the net capital of the railroads, and yet they claimed they were in dire distress.

If they are in distress, that distress exists because the railroads are mortgaged for four fifths of their value and therefore the railroads only have a 20-percent equity. No business can operate through periods of depression under an 80 percent mortgage.

If the railroad managements would concentrate on squeezing the "wind and water" out of their bonds and would increase the service which is so much needed and would fix reasonable fares and rates, the public would be happy; it would stimulate business, put many men back to work, and I am sure would show good earnings on an honest capital set-up.

SAFEGUARDING AMENDMENTS MUST BE ADOPTED TO PROTECT EMPLOYEES

I shall vote against this measure unless the amendments which have been recommended by the committee are approved by this body, for these recommendations would safeguard the public and railroad employees.

The amendments I refer to are: First, the "freezing" of unemployment caused by reason of mergers, consolidations, and diversions of traffic as contained in section 7; second, that the coordinator shall authorize the means for determining the compensation for property losses and expenses imposed upon employees by reason of transfers of work from one terminal to another; third, that provisions shall clearly

define that orders of the coordinator shall not annul State laws unless they are interstate in character.

If these safeguards are adopted by this body, the measure has the whole-hearted support of the transportation organizations, and I shall support it. [Applause.]

Mr. KVALE. Will the gentleman yield?

Mr. WITHROW. Yes; I yield.

Mr. KVALE. I was called from the Chamber and I may be asking a question that has already been answered, but in reaching the average and the normal employment which is to gage the employment in the future, has the gentleman stressed the unfairness of taking the figures for May of the present year when the employment and the activities of the railroads are at the lowest point for the entire year?

Mr. WITHROW. In that regard I may say that I believe that of all the months that could have been taken, the one period when the employment on the railroads is at its lowest ebb is during April and May. I think there is no question about this.

Mr. THOM. Will the gentleman yield?

Mr. WITHROW. Yes.

Mr. THOM. Can the gentleman give us some idea about railroad wages, with respect to the three or four classifications and whether or not it depends entirely on the day's work?

Mr. WITHROW. The mileage enters into that question, as well as the number of hours, and I cannot answer the question offhand.

[Here the gavel fell.]

Mr. RAYBURN. Mr. Chairman, I yield 20 minutes to the gentleman from Alabama [Mr. HUDDLESTON].

Mr. HUDDLESTON. Mr. Chairman, railroad transportation is a necessary of life as much as bread. It is a necessary for which there is no real substitute. In the present stage of our civilization and industrial development, without it whole populations would perish.

The interests of railroad labor and of the owners of the railroads, while important, are but secondary; the primary interest is that of the general public. It is quite desirable that the railroads be self-supporting. But since it is an essential and we must have rail transportation, the public interest requires that if it cannot be had in any other way than through public intervention, public subsidy, or even public ownership, then we must resort to that.

We must have rail transportation, and we are going to have it both now and hereafter. This fundamental fact should be faced at the outset.

RAILROADS IN BAD FINANCIAL CONDITION

The railroads are in bad financial condition. The average earnings last year after payment of taxes was only 1.5 percent on appraised value. The railroads as a whole did not earn a penny for their stockholders. Numerous important carriers are not earning the costs of operation. Quite a large number, including some of the most important lines, are not earning fixed charges. Carriers with a total of 182,457 miles are in this category.

It is to meet this situation that Title I of this bill is presented. Its fundamental purpose is to enable the railroads to work economies in operation not primarily in the interest of the owners of the railroads nor of their labor but in the interest of the general public, which requires that so far as possible railroads shall be self-supporting.

SAVINGS AT THE EXPENSE OF LABOR AND SUPPLIES

The only ways by which railroads can economize to a substantial extent are: First, at the expense of railroad labor; and, second, at the expense of the supply interests. Minor savings may be obtained in some instances through the reduction in expense for rentals, but this is so trifling as to be practically negligible. The third great item of expense is taxes, but it is not practical to attempt any savings on that in this bill.

Having in view that savings can be made only from labor and supplies, the deliberate design of this bill is to reduce to the least possible minimum the saving which may be made out of rail labor. It is intended to make possible only

such economies as may be produced at the expense of the supply interests. Since also the labor costs of the supply interests are probably 75 percent of their total, this means that of whatever savings are made possible by the bill, small though they may be, 75 percent will come out of the men who in producing supplies work indirectly for the rail industry.

Out of every dollar spent for operating expense, 46 cents goes for labor and 18 cents for supplies. This shows how small is the field for savings under this bill. There is the further fact that any savings whatever must be at the expense of service rendered by the carriers with resulting public injury.

We are exerting ourselves to the utmost to provide work for men to do. We are seeking to start business forward through a vast public construction program. Imagine then with what little enthusiasm I support Title I of this bill.

On the whole it may be well said that the chief value to be found in Title I lies in the provision for the study of the railroad problem to be made by the coordinator—a study which will have its chief value in the future when business is more prosperous and industry is on its feet.

As a relief measure, I cannot escape the conclusion that Title I is just about as near nothing as could be observed under a microscope.

RAILROAD DIFFICULTIES DUE TO LACK OF BUSINESS

The cause of the bad situation of the railroads is lack of business. Carloadings have recently been as low as an index of 49, as compared to 100 in 1926. They now stand at an index of about 55. The railroad owners are making no profits. Those who have loaned money to them find their interests greatly jeopardized. Railroad workers are walking the streets in idleness by the hundred thousands.

The trouble with the railroad industry is lack of business, yet this measure, brought forward for their relief, points out no way by which as much as a conceivable single pound of additional freight will be produced nor a single additional passenger mile afforded.

There are things which could be done to improve the business of the railroads. There are things which would increase carloadings. There are things which would increase the available work for the men engaged in the industry. There are actions which could be taken which would increase business for the carrier, employment for the workers, and at the same time the prosperity of the general public and of the business interests of this country. The amazing thing to me is that in an emergency such as this the gentlemen of the "brain trust" are unable to present any constructive and legitimate plan of railroad relief which would tend to bring about the results which I have pointed out.

OUR TROUBLE IS WITH DISTRIBUTION

May I say here that, from my point of view, the chief factor in the depression lies in the distribution end of our economic life and not in the production end. I believe there is no more fundamental economic error that men may fall into than when they undertake to deal with the depression from the standpoint of production, and particularly may I say through the reduction of production. There never was a more stupendous economic folly than that in this time when men are suffering for the necessities of life we should find the best talents of our statesmen devoted to devising means by which we may reduce the supply of the things that men need for their well-being.

Our chief difficulty lies with distribution, and one of the main factors in that difficulty is in the trade barriers which have been erected between the consumer and the producer.

These trade barriers are innumerable. They handicap the flow of commerce on both the foreign and the domestic fronts. They not only obstruct the free flow of commerce, but they add to the consumer's cost and cut down his capacity to buy and at the same time take away from the producer that little which he would be able to receive, if only the law of supply and demand were allowed to operate.

A COMMENTARY ON STATESMANSHIP

What a commentary it is upon the intelligence and statesmanship of this hour that during all the three and odd years

of the depression not a single measure has been offered from any responsible source which would bring the producer and consumer closer together or eliminate any of the barriers which separate them! To the contrary, we are now busying ourselves with building higher the barriers and making them more insuperable.

The chief of those barriers is the high cost of transportation. Four times within the last 20 years we have had a horizontal increase in freight rates for the benefit of the rail carriers. Four times through an increase in rates have the producers taken from them an additional toll from what little they received for their products and the consumers have added to what they were required to pay for commodities. Four times have the carriers reached out and taken a larger and a larger share.

In practically all instances the present cost of transportation is more than 25 percent more than it was at the time when prices of commodities were substantially the same as they are now. In many instances the increase is 50 percent. In some instances the increases have been as high as 100 percent. We find today that the rail carriers have their rates upon an average index of somewhere from 105 to 110 compared to 1926, and from 150 to 200 compared to 1913. The accurate figure on ton-mile revenue for 1913 is .729 cents, while for 1932 it is 1.04 cents per ton-mile. This is an average and does not show the situation as bad as it really is as to many products and many localities.

Those increases have been made in freight rates, yet we find that the producers, and particularly the producers of heavy commodities such as coal and agricultural products, have their prices on a pre-1913 level, and in many instances even below the 1913 level.

While other prices have gone down, transportation costs have gone up. The farmer, getting an average price index of 45 for his products, is expected to consume transportation on a cost index of 110 in shipping that product.

RAILROAD RATES HIGHER THAN TRAFFIC WILL BEAR

In practically all cases the rates are a serious obstacle to commerce. In many instances the rates are actually higher than the traffic will bear. Not merely is a trade barrier set up, but a trade prohibition. There can be no shipment. I was told this morning of an instance in which the producer of cabbages in a southern State received \$65 for a carload of the product of his toil, while the carrier received \$225 for transporting that product to a not-distant city.

In many instances the rates are higher than the traffic will bear. In practically all cases the rates are so high that the traffic is retarded, and a large part of it in every line will not bear the rate that it has to pay. Can you wonder carloadings are down to 55? Can you wonder why 850,000 railroad employees are without work? Can you wonder why the farmer and the miner find that a barrier has been erected between them and their customers, a barrier which they find insurmountable?

This bill does not deal with that situation, nor does it attempt to deal with it. It leaves that situation frozen. It leaves it to the tender mercies of the Interstate Commerce Commission, bound as they are by precedent and by law and established practice, and by the necessity of fixing a rate which will yield the railroad a fair return upon investment, a task necessarily hopeless, because the higher the rate the less the railroads can earn.

There was a time when the country stood at the peak of prosperity, when the pressure of business was so great as to force traffic on the rails over the barrier of high rates. There was a time when prices were at a figure that justified the shipper in sending commodities over this barrier. That time has passed. It is no longer here.

[Here the gavel fell.]

Mr. RAYBURN. Mr. Chairman, I yield the gentleman from Alabama [Mr. HUDDLESTON] 5 additional minutes.

Mr. HUDDLESTON. The result is there has been a stagnation which stops distribution or so seriously obstructs it as to have become the chief factor of the depression from which we now suffer. There is a remedy for this situation, and that remedy lies in the reduction of railroad rates and

charges. [Applause.] Therein lies the salvation not only for the railroads, which can earn more if their charges are less, because they will get more business to do, but for the workers, who will be busy carrying the additional amount of freight that the railroads will get at the lower rates. More than all will the benefit go to business generally. How can we have a resumption of normal business activities when business is throttled at the outset by rates such as are now in effect?

A HORIZONTAL REDUCTION OF RATES

If it were left to me to write this bill, I would throw this title aside, and in its stead I would write a provision which would bring railroad rates down to the present level of the prices of the commodities that move over the railroads. I would give the carriers free opportunity to secure such particular increases as might be found just and reasonable and general increases as the prices of commodities might rise.

I realize the present plight of the railroads, and that some provision would be fair to absorb such of the losses as they might sustain through the reductions, so that I would pay them out of the public funds whatever they might lose by this reduction of rates. I would give them a few hundred millions outright from the Treasury and thereby afford a stimulus to business and encouragement toward recovery.

I would rather give the railroads these few hundred million outright from the Public Treasury in the form of a temporary guaranty against loss from a reduction in rates, which would do so much to lift us out of the quagmire, than to lend them the same amount or more, as we are now doing, thus enabling them to perpetuate their hide-bound policy of charging more than people can pay. They are like a man with a rope coiled around his neck and pulling for dear life at both ends. They are strangling themselves with their excessive charges, and have not judgment enough to slacken up. Let them take the rope of prohibitive rates off their necks.

Let them charge rates that the people can afford to pay and then they will do business. Then the man who is in business can afford to patronize them. That is legitimate. That is constructive. That looks toward a resumption of normal business activity. That looks toward recovery. That looks toward overcoming the depression. Why, oh, why, will not somebody who has a voice that can be heard, advocate such an obvious and patent remedy for the ills of the country? [Applause.]

The CHAIRMAN. The time of the gentleman from Alabama [Mr. HUDDLESTON] has expired.

Mr. RAYBURN. Mr. Chairman, I yield 5 minutes to the gentleman from Idaho [Mr. WHITE.]

Mr. WHITE. Mr. Chairman, we are living in an era of price fixing, and I would like to point out that the distress which the railroads find themselves in today is the result largely of price fixing.

I may say to you that the largest element of materials used by railroads are the products of the Steel Trust. It has not been so long ago that the price of steel was fixed and raised to a level many percent higher than the original price that the railroads were paying for their rails, their spikes, their car wheels, and even the material that goes into the coaches themselves. We were told not so many years ago that the price of steel rails produced in this country, laid down in England, was \$26 a ton, yet under the policy of price fixing the railroads were being charged here \$40 a ton.

I would like to point out in connection with this legislation under consideration that the railroads are the victims of price fixing. Another thing I would like to point out as an element of their troubles is the archaic and obsolete method of classifying freight for rate-making purposes. I would like to mention an incident that happened in the State of Idaho when I was on the Federal jury in a case before the Federal court where a shipper offered some farm movables for shipment. In that consignment there were two old buggies. Under the classification one of them was a 1-seated buggy and the other was a 2-seated buggy. They made an arbitrary weight requirement for that shipment, and the rate was so high that the shipper shipped them as

junk at the junk rate, amounting to about \$40. When they reached destination the agent revised the classification and charged the man the rate under the western classification, so that the freight was \$140. He said, "If I have to pay that, you may keep it." They were shipped into the terminal and sold at "on hand" sale, and brought \$40. The railroad company brought an action to recover the difference between the price of the sale and the price of the freight, but the jury held in that case that the sale price was evidence that the buggies were junk. That shows some of the difficulties that the railroads are working under with their scheme of classifying freight for assessing shipping charges.

I may say to you that in the town where I reside the agent happened to have an old rate where he applied charges from the eastern terminal to that point, and it became covered up. That rate was made before the war. The other day that became uncovered and he found the new rate was about 100 percent higher than the old rate.

That is one of the things we are contending with today—excessive freight charges.

Mr. Chairman, I yield back the balance of my time.

Mr. RAYBURN. Mr. Chairman, I move the committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. HILL of Alabama, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (S. 1580) to relieve the existing national emergency in relation to interstate railroad transportation, and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended, had come to no resolution thereon.

APPEARANCES OF PERSONS IN THE EMPLOY OF THE GOVERNMENT BEFORE DEPARTMENTS AS ATTORNEY

Mr. JONES. Mr. Speaker, I ask unanimous consent for the present consideration of Senate Joint Resolution 54, limiting the operation of sections 109 and 113 of the Criminal Code.

The Clerk read the Senate joint resolution, as follows:

Resolved, etc., That nothing in sections 109 and 113 of the Criminal Code (U.S.C., title 18, secs. 198 and 203) or any other act of Congress forbidding any person in the employ of the United States from acting as attorney or agent for another before any department (other than the Department of Agriculture) or branch of the Government, or from receiving pay for so acting, shall be deemed to apply to any counsel or other officer of the Department of Agriculture if designated by the Secretary of Agriculture at the time of appointment as entitled to the benefits of this resolution: *Provided*, That not more than three such officers shall hold such exemptions at the same time.

Mr. MAPES. Mr. Speaker, reserving the right to object, I think it is rather questionable practice to bring up matters of this kind after the House has been considering matters in the Committee of the Whole House on the state of the Union all the afternoon.

Mr. JONES. Mr. Speaker, I may say to the gentleman from Michigan, that I have had this matter up with both the majority and the minority members of the Committee on Agriculture. I may say also that the minority floor leader, with an amendment which I will offer, I understand will have no objection to its consideration.

Mr. MAPES. Has the matter been considered by the Committee on Agriculture?

Mr. JONES. No; it is a very simple matter. It has been talked over with several of the Members. It simply follows the precedent in 2 or 3 other cases permitting the utilization of the services of one man who has had a large part in the drafting of farm-relief legislation without his having to surrender his right to practice law privately.

Mr. MAPES. Under the circumstances, I hope the gentleman will not press his request this evening.

Mr. JONES. Of course, the gentleman can prevent it if he insists, and I shall have to let it go over. The matter has been pending several days, and the Department is anxious to have the measure passed so that the services of Mr. Lee may be arranged for. They will probably be of great assistance in connection with getting the administration of the farm bill to functioning to the best advantage.

Mr. MAPES. I think the gentleman from Texas will admit that it is rather questionable practice.

Mr. JONES. Mr. Speaker, in view of the gentleman's statement, I withdraw my request.

BRIDGE ACROSS ST. LAWRENCE RIVER AT OR NEAR OGDENSBURG, N.Y.

Mr. MILLIGAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 5329) creating the St. Lawrence Bridge Commission, and authorizing said commission and its successors to construct, maintain, and operate a bridge across the St. Lawrence River at or near Ogdensburg, N.Y., with a Senate amendment, and concur in the Senate amendment.

The Clerk read the Senate amendment, as follows:

Page 11, strike out lines 3 to 24, inclusive, and insert:

"The Commission shall consist of 11 persons appointed by the Governor of New York. Such commission shall be a body corporate and politic constituting a public-benefit corporation. Any vacancy occurring in said Commission shall be filled by the Governor. Each member of the Commission and their respective successors shall qualify by giving such bond as may be fixed by the Chief of the Bureau of Public Roads of the Department of Agriculture, conditioned for the faithful performance of all duties required by this act. The Commission shall elect a chairman and a vice chairman from its members, and may establish rules and regulations for the government of its own business. Five members shall constitute a quorum for the transaction of business."

Mr. MAPES. Mr. Speaker, reserving the right to object, I may say to the gentleman from Missouri, my colleague on the committee, that personally I think this habit of bringing up important legislation late in the afternoon, when many Members have gone away, is very questionable practice.

I do not know how important this amendment is, but it looks to me as though it might be an important matter.

Mr. MILLIGAN. This is not an important amendment. The original act as passed by the House created a commission and named the individuals who were to be members of that commission. The Senate amended that and authorized the Governor of the State of New York to name the members of the commission.

The minority leader requested that I bring up the amendment because apparently there was some emergency, and they want to carry out the provisions of the bill.

Mr. MAPES. I hate very much to object to the consideration of the bill, but I may say to the gentleman from Missouri that I do not think the fact that a few Members of the House have been consulted about legislation is sufficient, and that we ought to adopt the policy of not bringing up legislation of this kind late in the afternoon. If matters of this kind are going to be brought up by unanimous consent, they, as a rule, ought to be brought up in the morning before the House goes into the Committee of the Whole House on the state of the Union.

Mr. MILLIGAN. I may say to the gentleman from Michigan that I tried to secure recognition this morning to present the matter, but the gentleman from Massachusetts was recognized, and I did not have an opportunity to make the request.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

The Senate amendment was agreed to.

PERMISSION TO ADDRESS THE HOUSE

Mr. CELLER. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CELLER. Mr. Speaker, I am very happy to see the gentleman from Massachusetts [Mr. LUCE] in the room, one of the conferees on the banking bill.

I am informed the Senate bill contains a provision which would destroy, utterly destroy, the Postal Savings System. The House bill did not contain any such provision.

I do indeed hope the managers on the part of the House will not allow any attempt made by indirection to destroy the Postal Savings System, which could not be done if a bill for that purpose were brought up before this House directly.

An attempt is being made to prevent interest being paid, for example, on the Postal Savings moneys that are deposited by the Postal Savings System in the banks as demand deposits. If the Postal Savings System cannot obtain any interest on those deposits, it, in turn, cannot pay interest on that money to its depositors. This one provision, I may say to the gentleman from Massachusetts, is enough to utterly destroy the whole System.

This bill is controversial. There may be many in this House voting against it because of certain other provisions contained therein; and I will warn the gentlemen of the conference committee that if they leave that provision in the bill there will be a sufficient number of Members in this House favorably disposed to the Postal Savings System to defeat this bill when it comes before the House for final passage.

Mr. HASTINGS. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield.

Mr. HASTINGS. Does the gentleman think it would be in the interest of the banks throughout the country to prevent the payment of interest on demand deposits and then allow the Postal Savings to pay interest on time deposits? What does the gentleman think the result would be? Would it not be to drive deposits from commercial banks into the Postal Savings System?

Mr. CELLER. There is no such danger, because money in the banks would not go into the Postal Savings System.

[Here the gavel fell.]

ECONOMIC CONDITIONS

Mr. WHITE. Mr. Speaker, I ask unanimous consent to insert in the RECORD a radio address made by me recently over the National Broadcasting System.

The SPEAKER. Is there objection to the request of the gentleman from Idaho?

There was no objection.

Mr. WHITE. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following address delivered by me recently over the radio under the auspices of the Farm Forum:

Ladies and gentlemen of the radio audience: It is said that "It is a dangerous thing for man to tamper with economic law."

We know that business in this country has met with disaster; that financial ruin entailing immeasurable misery and untold hardship, and hopeless despair, has fallen upon many industrious, thrifty, deserving, and innocent people; that their future has been blighted and their children through the failure of opportunity are condemned to poverty and want.

Yet, never in the history of the world has nature, assisted by the industry and ingenuity of man, poured forth from the fields, from the forests, from the fisheries, and from the mines such a bountiful store for the comfort and sustenance of the human family. Industry and ingenuity have placed at the bid of mankind by the refinements and perfection of manufacture and distribution not only the necessities of a comfortable existence but luxuries unthought of in the times when our forefathers drafted the Constitution and established this Government; and yet in the midst of plenty, millions are in want and stark poverty walks abroad in the land.

My friends, what spell has been worked upon our innocent people? Has man, has our Government, has any selfish group enticed and misguided us into defying economic law?

If I am to explain and give a reason for the sad plight of our people I would say that we have disregarded and defied inexorable economic law.

From time immemorial the nations of the earth conforming to the operation of economic law have based their system of money currencies upon the precious metals, gold and silver, coining both into money at a ratio of value conforming to the ratio of production, thereby maintaining automatic control of the volume of money issued to insure the stability of its value absolutely necessary to the vital and controlling function of money.

From the experiences of the ages we know that in order to have an adequate, just, and workable money system the value of money must be stable and unchanging if governments are to maintain a just and equitable relation between creditors and debtors, which is vitally necessary to the security and stability of the nations' business banking structure. To maintain such a money system the quantity of money must increase in even proportion and keep pace with expanding business and increasing population, which averages 3 percent a year. Turning to statistics we find that the production of precious metals, gold and silver, taken together, fill this requirement, as they increase in volume 3 percent annually paralleling roughly the annual increase in business and population, thus providing a means to meet evenly the need for new coinage. If we should use silver alone, which increases 2 percent

annually, we will fail to supply our increasing money need by 1 percent. The use of gold alone has proven with the disastrous demonstration now apparent the futility of the attempt to base our currency system on a single standard of gold which has not and cannot supply the required quantity of new metal to meet the world's growing money need. It is easy to see that the abandonment of one precious metal—silver—produced at the rate of 2 percent, and the adoption of gold alone, produced at the rate of 1 percent, has upset the operation of economic law and drastically contracted the volume of primary money which is the foundation of the credit structure in every land, and that the result has been disaster to business and international trade.

When we look for the cause of the prevailing depression we find it in the debasement of silver—the old expedient of the "clipping of coin" in European countries, when millions of dollars were raised by the European governments by extracting the silver from their coinage and selling the metal on the open market, to be followed by the demonetization of silver in India and Indo-China, which, in effect, created a vacuum in the world's money supply, with a consequent draft upon the gold reserves of the several nations. The money stringency that ensued undermined their credit structure everywhere, with devastating effect upon the buying power of the majority of the people of the human family. The restriction of the ensuing money stringency imposed upon international trade broke down prices and destroyed prosperity throughout the world.

The financial convulsions and ruin that followed the collapse of credit and the flight of confidence are a result of legislation enacted in defiance of economic law.

Let me point out that the demonetization of silver in this country in 1873 was followed by a financial depression so intense in its severity that our Government was forced to resort to many legislative expedients to supply the deficiency thus created in our money supply, first by the purchase of silver bullion by the issuance of Treasury notes under the Bland-Allison Act and later under the operation of the Sherman Purchasing Act which partially met, at the time, the need for new money to flow into the channels of trade. The cessation of this supply of money by the repeal of the purchasing clause of the Sherman Act was followed by a period of financial readjustment with depressing and disastrous results on many classes of our citizens.

It was only when a new source of supply of primary money was opened by the discovery of gold in the Klondike, the perfection of the cyanide process for the extraction of gold from low-grade ores, and the opening of the great Rand gold fields that relief from the prevailing money stringency was had. The supply of new gold flowing from the three sources mentioned in a brief period of time in our day, doubled the world gold stock, in other words, increased it from five and one half billions to \$11,000,000,000, at the same time restoring a continuous flow of primary money into the channels of trade at a rate commensurate with the needs of business. This exerted an exhilarating influence on human progress in every line of endeavor. The era of prosperity that followed can be traced and may be credited to the vitalizing influence of this flow of the new money into the channels of business. Later, when the production of gold lagged and the miners were unable to furnish a quantity of new money media required to supply the need of the world's growing business in conformity to economic law, it was then that the needs of business due to natural growth and increasing population outran the flow (supply) of new metal—gold—with a result that a series of financial depressions followed.

It was then that business and legislative leaders, recognizing the effects of this deficiency and the attendant growing money stringency, attempted to devise a substitute for the deficient supply of money necessary to be had under the operation of the automatic system, and after lengthy deliberation and legislative struggle brought forth the Federal Reserve System of banking which set up an agency for issuing money—Federal Reserve notes based in part on gold and in part upon the material wealth of the country as represented in short-time obligations of business secured by acceptable collateral. The authority to issue and contract the volume of money in circulation was placed in the hands of the officers of the Federal Reserve banks under control of a small group of men. How this power to contract the volume of money in circulation has been abused by the authority conferred upon this group is known to the most casual investigator.

Right here it can be said that in contradistinction to the plan of the Federal Reserve Banking System for supplying money to the needs of trade and business by issuing credit money, under the bimetallic system the flow of new money by the coinage of both precious metals is not so controlled nor subject to such contraction, and that the production of new metal would insure a steady and gentle flow of primary money into the channels of trade at a rate that would approximate and anticipate the money need of this growing country.

The function conferred upon the Federal Reserve System of banks of issuing money at best is only a substitute for bimetallicism, and in the light of recent experience in this country I have no hesitancy in stating it is a poor substitute.

If we can retrace our steps and undo the mistakes made by past administrations in passing unsound financial legislation in this country—if this Congress can be induced to exercise the power conferred upon it by the Constitution "to coin money and regulate the value thereof", and it will give us a safe, sound, and workable money system adequate to the needs of business by the remonetization of silver and thus return to the sound, safe, and simple automatic system of regulating our money supply to con-

form to economic law, industry, trade, and business, loosened from the shackles of an inadequate money system, will revive and credit and confidence will be restored to our people.

Let me quote from the words of the immortal Blaine: "The two metals [gold and silver] have existed side by side in harmonious companionship as money ever since intelligent trade was known among men. It is well nigh forty centuries since Abraham weighed to Ephron the silver which he had named in the audience of the sons of Heth—400 shekels of silver—current money with the merchant. Since that time nations have risen and fallen, races have disappeared, dialects and languages have been forgotten, arts have been lost, treasures have perished, continents have been discovered, islands have been sunk in the sea, and through all these ages and through all these changes silver and gold have reigned supreme as the representatives of value—as the media of exchange. The dethronement of each has been attempted in turn, and sometimes the dethronement of both—but always in vain. And we are here today deliberating anew over the problem which comes down to us from Abraham's time, the weight of the silver that shall be current money with the merchant."

My friends, I say in all sincerity that I am convinced if the people of this Nation, regardless of party or politics, could be given the true facts, the naked truth of this money question, stripped of all the misleading statements put out by selfish interests through an indifferent press to confuse the issue and misguide the mind, that they would unite and take such action that Congress and this administration would immediately enact and put into force legislation that will restore silver to its time-honored place in our monetary system.

Let me remind you that from the time our Constitution was adopted and this Government was established that for over 90 years both gold and silver on a standard of bimetalism was the money of this country; that Thomas Jefferson, with money created under this standard, was enabled to purchase the great territory of Louisiana; that we bought Florida; that we bought Alaska; that we added Texas and California to the Union, adding all this territory and laying the foundation for this, the greatest Nation on earth, with money created under the bimetallic standard.

In the years that followed the acquisition of this vast territory this Nation made strides in development that has been unequalled in the history of the world; our shipping and rail transportation was developed from its initial stages. The degree of transportation efficiency attained placed American ships on every sea and American commerce in every port and opened up and gridironed with railroads the vast territory comprised in the Mississippi and Missouri Valleys, where great cities that rival the populous centers of the Old World sprang into being and had their greatest era of development within this period. The completion of the first transcontinental railroad brought to a reality the dream of Columbus and the early navigators, "A short trade route to India." Let me remind you that all this was accomplished and that our business and financial structure was erected under the bimetallic standard of money.

In the efforts of the bankers and financiers of this country to set aside the use of silver as primary money and circumvent the operations of economic law, every expedient, every makeshift, every substitution for the use of silver as money is being tried. For four long years as ruin, idleness, and bankruptcy has engulfed our people we have compromised and temporized with this money issue, faced with the inexorable and incontrovertible fact that the average price of commodities are controlled and are fixed by the price of silver. The price of wheat and cotton, upon which the prosperity of the people of this Nation rests, is ruled by and must continue to be fixed by the price of silver.

Our Government in its effort to restore commodity prices and in disregard to their relation to the price of silver has poured \$4,000,000,000 into our depressed markets falling utterly to move prices upward, but deepening the huge Treasury deficit most effectually. By recent legislation we are proposing to pour four billion additional dollars forth in hopes of attaining the desired results—raise commodity prices and restore prosperity.

It is now further proposed in the vain effort to abandon and disregard silver as money to issue fiat money and to reduce the gold content of the dollar, both measures unnecessary and indefensible and fraught with grave consequences and extreme danger to future prosperity and our national welfare.

If we revalue our gold dollar by reducing the gold content, by that measure we add just so much value to every ounce of gold in the treasuries of Europe and in the ground owned by the British Empire, our competitor and trade rival, producing 70 percent of the world's gold. If we revalue the gold dollar, every argument of the last 50 years for sound money falls to the ground and we are set adrift on a sea of financial instability and uncertainty with the derangement of our whole financial system and our whole foreign financial relations.

I agree with the most ardent economist that we are on unsafe financial ground and that we must retreat; that we must revise and recast our unworkable monetary system.

Let us go back to the tried and proven plan—to the simple system; the only true, stable, and sound money system yet devised since our Government was established—bimetalism, the coinage of both gold and silver money, retaining the existing ratio under which our current gold and silver dollars were coined—16 to 1, which is conformable to the ratio of the production of the two metals.

If Congress and the present administration can be induced to do this simple thing, our business will automatically be per-

mitted to take control and dominate again the world's commerce and this country will enter upon a lasting era of prosperity.

It is true that our group of international bankers may lose control of the world's banking business, now so strenuously and I may say so disastrously contended for in their struggle to capture and retain the world's banking supremacy; to do this they insist that the monetary unit—the dollar—must be made and maintained in stability and value above the franc and above the pound.

My friends, before we decide to sink this country and our business structure deeper in the slough of depression by continuing this useless struggle, I would remind you that the British group have two incontestable advantages in what for us in the end must prove a hopeless struggle, for a prize—estimated by some economist to be \$400,000,000 annual profits accruing from handling other people's money derived from the world's banking business.

Let me remind you that the British Nation by its imperial policy owns and controls India and South Africa. In India it dominates absolutely the finances of 325,000,000 people. In its far-flung Empire it produces 70 percent of the world's gold—new wealth, new money media, flowing in a continuous stream into the British coffers. With this advantage in the hands of our competitors, must we continue an unequal contest and abandon our commanding position in supplying the world's trade?

It is plain that we must choose between world banking and world trade. I am for the restoration of foreign commerce that we may restore prosperity throughout the length and breadth of this land rather than supporting a contest being waged by a small financial group already gorged with wealth beyond the dreams of avarice.

Let us return to the money system of our forefathers, that our dollars may become stabilized and steadied in value and circulate as money rather than be stored as wealth, that in their stability and unchanging value they will insure a just and equitable relation between creditors and debtors, the only means of securing stability and safety for our financial and banking system, that continued security and uninterrupted prosperity may attend the progress of our people in the future.

LEAVE OF ABSENCE

Mr. RANSLEY. Mr. Speaker, I ask leave of absence for my colleague the gentleman from Pennsylvania [Mr. CONNOLLY] on account of sickness.

The SPEAKER. Is there objection?

There was no objection.

Mr. BYRNS. Mr. Speaker, I ask indefinite leave of absence for the gentleman from California [Mr. BURKE] on account of the death of his father and the illness of his mother.

The SPEAKER. Is there objection?

There was no objection.

Mr. BYRNS. Mr. Speaker, I also ask indefinite leave of absence for my colleague the gentleman from Tennessee [Mr. McREYNOLDS], who is now in London attending the Economic Conference as a delegate.

The SPEAKER. Is there objection?

There was no objection.

TAX ON COFFEE

The SPEAKER laid before the House the following communication from the President of the Congress of Costa Rica:

SAN JOSE, COSTA RICA, May 18, 1933.

PRESIDENT OF THE HOUSE OF REPRESENTATIVES,
Washington, D.C.:

The Congress of Costa Rica in its session of today, and with the knowledge that there has been submitted by the Federal executive power a project which would place a very high tax on the consumption of coffee in the United States, unanimously voted the resolution to address itself to your honorable House, expressing the feeling of unanimous disquietude with which this initiative was received in Costa Rica, which might produce a severe break in the commercial relations of our two countries the importance of which may be appreciated in the fact that 52 percent of our importations concern articles coming from the United States of America, of which I have the honor to inform you.

ARTHUR VOLIA,
President of the Congress.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to Mr. CLAIBORNE (at the request of Mr. COCHRAN of Missouri), for the remainder of the week, on account of illness.

SENATE ENROLLED BILL SIGNED

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 1581. An act to amend the act approved July 3, 1930 (46 Stat. 1005), authorizing commissioners or members of international tribunals to administer oaths, etc.

ADJOURNMENT

Mr. BYRNS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 21 minutes p.m.) the House, in accordance with its previous order, adjourned until tomorrow, Saturday, June 3, 1933, at 11 o'clock a.m.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII,

Mr. RAYBURN: Committee on Interstate and Foreign Commerce. S. 1580. An act to relieve the existing national emergency in relation to interstate railroad transportation, and to amend sections 5, 15a, and 19a of the Interstate Commerce Act, as amended; with amendment (Rept. No. 193). Referred to the Committee of the Whole House on the state of the Union.

Mr. McKEOWN: Committee on the Judiciary. H.R. 5884. A bill to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto; without amendment (Rept. No. 194). Referred to the House Calendar.

Mr. BLOOM: Committee on Foreign Affairs. House Resolution 167. Resolution expressing the belief that the delegates to the international economic conference should strive to secure an international agreement for the coinage of gold and silver at a definite fixed ratio; without amendment (Rept. No. 195). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BAILEY (by request): A bill (H.R. 5880) for charter of incorporation to be known as "League of American Youth"; to the Committee on the District of Columbia.

By Mr. HOWARD: A bill (H.R. 5881) to investigate the claim of and to enroll certain persons, if entitled, with the Omaha Tribe of Indians; to the Committee on Indian Affairs.

By Mr. SMITH of Washington: A bill (H.R. 5882) to reenact provisions of law relating to disability compensation for World War veterans and to pensions for Spanish-American War veterans, and for other purposes; to the Committee on Expenditures in the Executive Departments.

By Mr. GLOVER: A bill (H.R. 5883) to amend and repeal parts of Public Law No. 2, Seventy-third Congress, being an act entitled "An act to maintain the credit of the United States Government", and to repeal certain Executive orders and regulations issued by the President under said act; to the Committee on Expenditures in the Executive Departments.

By Mr. McKEOWN: A bill (H.R. 5884) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto; to the Committee on the Judiciary.

By Mr. SUMNERS of Texas: A bill (H.R. 5885) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and acts amendatory thereof and supplementary thereto; to the Committee on the Judiciary.

By Mr. AYERS of Montana: A bill (H.R. 5886) to amend section 92 of the Judicial Code (U.S.C., title 28, sec. 172) as amended; to the Committee on the Judiciary.

By Mr. HOWARD (by departmental request): A bill (H.R. 5887) to authorize the creation of an Indian village within the Shoalwater Indian Reservation, Wash., and for other purposes; to the Committee on Indian Affairs.

By Mr. LEA of California: A bill (H.R. 5888) to provide revenue by increasing the taxes on certain vinous liquors and prescribing conditions and limitations on the manufacture, transportation, and sale thereof; to the Committee on Ways and Means.

By Mr. HOEPEL: A bill (H.R. 5889) to adjust the rate of pension to soldiers of the Indian wars who served 90 days or more in active service against hostile Indians, and for other purposes; to the Committee on Pensions.

By Mr. WILCOX: A bill (H.R. 5890) to provide for a preliminary survey and examination to connect the navigable waters of the St. Johns River with the navigable waters of the Kissimmee River in the State of Florida by a barge canal with locks, approximately 25 miles, with a view to improving, extending, and connecting of the present waterway in each river and to secure waterway where none now exists between these two navigable rivers 9 feet deep and approximately 100 feet wide and for the purpose of affording suitable connection for craft now using the Okeechobee Cross-Florida Canal; to the Committee on Rivers and Harbors.

By Mr. SMITH of Washington: Resolution (H.Res. 171) that the Comptroller of the Currency is directed to inform the House of Representatives what action, if any, has been taken or is under consideration by the office of the Comptroller of the Currency to require conservators to set aside and make available funds of banks in the hands of conservators for withdrawal by depositors and payment to other creditors pursuant to the provisions of section 206 of the Bank Conservation Act of March 9, 1933; to the Committee on Banking and Currency.

By Mr. MONAGHAN: Joint Resolution (H.J.Res. 193) to adjust the amounts paid for services furnished by the Government to its officers and employees, and for other purposes; to the Committee on the Civil Service.

By Mr. SMITH of Washington: Concurrent resolution (H.Con.Res. 21) declaring that it is the sense of Congress that the Comptroller of the Currency shall take immediate action to make funds of banks in the hands of conservators available for withdrawal by depositors and payment to creditors pursuant to the provisions and intent of section 206 of the Bank Conservation Act; to the Committee on Banking and Currency.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. AYERS of Montana: A bill (H.R. 5891) for the relief of the Great Northern Railway Co.; to the Committee on Claims.

By Mr. BECK: A bill (H.R. 5892) for the relief of John C. P. de Kraft; to the Committee on the Civil Service.

By Mr. BLACK: A bill (H.R. 5893) for the relief of John J. Kennelly; to the Committee on Claims.

Also, a bill (H.R. 5894) for the relief of Paul Kroll; to the Committee on Claims.

By Mr. BLAND: A bill (H.R. 5895) granting a pension to Retta J. Smith; to the Committee on Invalid Pensions.

By Mr. CARLEY: A bill (H.R. 5896) for the relief of Sanford N. Schwartz; to the Committee on Claims.

By Mr. COCHRAN of Pennsylvania: A bill (H.R. 5897) for the relief of Thomas Parker; to the Committee on Military Affairs.

By Mr. HOEPEL: A bill (H.R. 5898) for the relief of Anthony J. Lynn; to the Committee on Claims.

By Mr. MONAGHAN: A bill (H.R. 5899) for the relief of the Western Montana Clinic; to the Committee on Indian Affairs.

By Mr. THOMPSON of Illinois: A bill (H.R. 5900) for the relief of Ben D. Showalter; to the Committee on Claims.

Also, a bill (H.R. 5901) for the relief of William Henry Davidson; to the Committee on Military Affairs.

By Mr. WADSWORTH: A bill (H.R. 5902) authorizing Lester Baker, lieutenant colonel, United States Army, to accept the decoration tendered to him by the Bolivian Government; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1267. By Mr. KRAMER: Senate Joint Resolutions Nos. 29 and 30; to the Committee on Roads.

1268. By Mr. MEAD: Petition of Erie County American Legion, giving the President power of universal draft in time of war; to the Committee on Foreign Affairs.

1269. By Mr. RUDD: Petition of National War Veterans Association, Inc., Jamaica, N.Y., favoring the payment of the veterans' adjusted-service certificates, etc.; to the Committee on World War Veterans' Legislation.

1270. By Mr. SWEENEY: Petition of the Social Welfare Committee of Federated Churches of Cleveland, Ohio, recorded conviction in mass meeting on May 14, 1933, that the reported persecution of the Jews in Germany, the symbolic destruction of their culture, and the threatened subordination of religion to the ends of the Nazi regime concerns all men of brotherly ideals; to the Committee on Foreign Affairs.

1271. Also, petition of the citizens of Cleveland, Ohio, in mass meeting assembled on May 14, 1933, without regard to race or religion, condemning the conduct of the Hitler government in Germany and solemnly protesting against the economic and political strangulation of German Jewry, appealing to the enlightened opinion of mankind to join in denouncing these acts as a betrayal of civilization and an infamous blow at the highest ideals of humanity; to the Committee on Foreign Affairs.

1272. By Mr. WELCH: Petition of the employees in the service of railroad and express companies of the State of California, opposing Senate bill 1580 and House bill 5500; to the Committee on Interstate and Foreign Commerce.

SENATE

SATURDAY, JUNE 3, 1933

(Legislative day of Monday, May 29, 1933)

The Senate met at 11 o'clock a.m., on the expiration of the recess.

Mr. ROBINSON of Arkansas. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Bachman	Fess	Logan	Reed
Borah	Fletcher	McCarran	Robinson, Ark.
Brown	Johnson	McGill	Thompson
Erickson	Keyes	Patterson	Vandenberg

Mr. ROBINSON of Arkansas. I wish to announce that the Senator from New York [Mr. COPELAND], the Senator from Nevada [Mr. PITTMAN], and the Senator from Maryland [Mr. TYDINGS] are absent on official business.

Mr. FESS. I desire to announce that the Senator from South Dakota [Mr. NORBECK] is unavoidably detained from the Senate.

The VICE PRESIDENT. Sixteen Senators have answered to their names. A quorum is not present. The clerk will call the names of the absent Senators.

The legislative clerk called the names of the absent Senators, and Mr. GOLDSBOROUGH, Mr. ROBINSON of Indiana, and Mr. TOWNSEND answered to their names when called.

Mr. VANDENBERG. I desire to announce the absence of my colleague the senior Senator from Michigan [Mr. COUZENS] on official business in connection with the London Economic Conference. I ask that this announcement may stand for the day.

Mr. BYRNES, Mr. CUTTING, Mr. CLARK, Mrs. CARAWAY, Mr. FRAZIER, Mr. KENDRICK, Mr. POPE, Mr. HAYDEN, Mr. CAPPER, Mr. SHEPPARD, Mr. CONNALLY, Mr. COOLIDGE, Mr. TRAMMELL, and Mr. McNARY entered the Chamber and answered to their names.

Mr. SHEPPARD. I wish to announce that the following Senators are absent on account of imperative matters in the Committee on Military Affairs:

The Senator from Alabama [Mr. BLACK], the Senator from Wyoming [Mr. CAREY], the Senator from Iowa [Mr. DICKINSON], and the Senator from New Jersey [Mr. BARBOUR].

Mr. KENDRICK. I desire to announce that the Senator from Colorado [Mr. COSTIGAN] is necessarily detained from the Senate by illness.

I also wish to announce that the following Senators are detained from the Senate in attendance upon a meeting of the Committee on Finance: Mr. HARRISON, Mr. BAILEY, and Mr. LONERGAN.

I also desire to announce that the following Senators are absent attending a meeting of the Committee on Banking and Currency: Mr. BANKHEAD, Mr. BULKLEY, Mr. GLASS, and Mr. REYNOLDS.

I wish further to announce that the Senator from Arizona [Mr. ASHURST], the Senator from Washington [Mr. BONE], the Senator from Illinois [Mr. DIETERICH], the Senator from Louisiana [Mr. OVERTON], and the Senator from Georgia [Mr. RUSSELL] are necessarily detained from the Senate on official business.

Mr. ROBINSON of Arkansas. I desire to announce that the Senator from South Carolina [Mr. SMITH] is necessarily detained from the Senate attending a conference on cotton in the Department of Agriculture.

I wish also to announce that the following Senators are detained on account of departmental matters: Mr. DILL, Mr. LEWIS, Mr. LONG, Mr. STEPHENS, Mr. THOMAS of Oklahoma, and Mr. WHEELER.

The VICE PRESIDENT. Thirty-three Senators have answered to their names. There is not a quorum present.

Mr. ROBINSON of Arkansas. I move that the Sergeant at Arms be directed to request the attendance of absent Senators.

The motion was agreed to.

The VICE PRESIDENT. The Sergeant at Arms will execute the order of the Senate.

Mr. HEBERT, Mr. ADAMS, Mr. THOMAS of Utah, Mr. BRATTON, Mr. MCKELLAR, Mr. DICKINSON, Mr. NORRIS, Mr. McADOO, Mr. LA FOLLETTE, Mr. HARRISON, Mr. WAGNER, Mr. VAN NUYS, Mr. KING, Mr. WALSH, Mr. BYRD, Mr. GEORGE, Mr. GORE, Mr. METCALF, Mr. KEAN, Mr. HATFIELD, Mr. BULOW, Mr. DUFFY, Mr. BARBOUR, Mr. CAREY, Mr. BLACK, Mr. BARKLEY, Mr. MURPHY, and Mr. NEELY entered the Chamber and answered to their names.

Mr. HEBERT. I wish to announce that the Senator from Vermont [Mr. AUSTIN], the Senator from Maine [Mr. HALE], and the Senator from Delaware [Mr. HASTINGS] have been called from the city.

I wish further to announce that the Senator from Pennsylvania [Mr. DAVIS] is absent on account of illness.

I also desire to announce that the Senator from Vermont [Mr. DALE], the Senator from Minnesota [Mr. SCHALL], the Senator from Oregon [Mr. STEIWER], the Senator from Connecticut [Mr. WALCOTT], the Senator from Maine [Mr. WHITE], and the Senator from Minnesota [Mr. SHIPSTEAD] are detained from the Senate on official business.

The VICE PRESIDENT. Sixty-one Senators have answered to their names. A quorum is present.

MEMBER OF NATIONAL FOREST RESERVATION COMMISSION

The VICE PRESIDENT. The Chair announces the reappointment of the Senator from New Hampshire [Mr. KEYES] as a member of the National Forest Reservation Commission, his term having expired.

CLAIM OF THE WESTERN UNION TELEGRAPH CO.

The VICE PRESIDENT laid before the Senate a letter from the Comptroller General of the United States, transmitting, pursuant to law, his report and recommendation concerning the claim of the Western Union Telegraph Co. against the United States, which, with the accompanying report, was referred to the Committee on Claims.

PETITIONS AND MEMORIALS

The VICE PRESIDENT laid before the Senate the following concurrent resolution of the Legislature of the State of Florida, which was referred to the Committee on Commerce:

House Concurrent Resolution 16

Whereas the United States Government has heretofore allocated and expended the necessary moneys to procure an economic survey to determine the feasibility of construction by dredging and with